

# THE STORY OF HANSARD

(OR THE STORY OF THE PARLIAMENTARY DEBATES)

Secret diplomacy is familiar in foreign affairs, but it is not well known that secret discussion of home affairs was jealously maintained by the House of Commons for many centuries of history. The record of things done was available in the printed Votes and Proceedings of the House and in the Journal, but the publication of things said was punishable as a breach of the privileges of the House until towards the end of the eighteenth century.

## • SECRECY BREAKS DOWN •

The first breaches in the tradition of secrecy were made in the seventeenth century when propaganda for the Parliamentary cause in the civil war led the House to ignore occasional unofficial printing of speeches in Parliament. By the middle of the eighteenth century editors found that, with the increasing interest in Parliament, there was a popular demand for reports of Parliamentary debates, and thinly disguised accounts of what Sir Robert Walpole said were being printed in the new Monthly Magazines.

## DR JOHNSON AND THE SENATE OF LILLIPUTIA

Editors and printers were summoned and fined, but the reports continued as debates of fictitious political clubs, such as the "Proceedings of the Lower Room of the Robin Hood Society." One of the most famous was the "Report of the Senate of Lilliputia," which appeared in "The Gentleman's Magazine," and was edited for some years by Samuel Johnson. No notes could be taken in the House, and speeches could be reported only from memory so that with such an editor it is not surprising that some of the speeches show an eloquence of which their supposed authors were probably quite incapable. Complimented and applauded for a brilliant speech of Pitt's which read like Demosthenes the Doctor replied: "I saved appearances tolerably well, but I took care the Whig dogs did not have the best of it." Direct suppression ceased after 1771, after a legal battle in which the famous John Wilkes played a part for freedom of speech, and the newspapers stimulated by the public demand continued to publish reports based on reporters' memories. Of "Memory Woodfall" it was related with amazement how he filled three or four columns daily in the "Morning Chronicle" with the debates he had listened to overnight.

## WILLIAM COBBETT

The real advance to a more impartial account occurred during the Napoleonic Wars, when William Cobbett followed his History of Parliament 1066 to 1802 with the printing of parliamentary debates as a supplement to his "Political Register," which had

[Continued on page 3 of cover

# THE PENGUIN HANSARD

## VOL. II

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# THE PENGUIN HANSARD

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## INTRODUCTION

It is doubtful if any free parliament has ever succeeded in making its proceedings adequately known to the citizen body which elected it. In Great Britain only a few hundred copies of *Hansard* are sold. People who wish to know the proceedings of the House of Commons have to rely on press reports unless they can afford the daily issues or the later bound volumes of the Official Report. Press summaries of the Debates are based primarily on news or party values; they cannot, therefore, provide more than a rough or partial record. *The Atlantic House* is the first attempt to report the House of Commons to the general public.

Volume Two of the *Penguin Hansard* provides not a record of legislation, but a collection of debates and statements made in the House of Commons as to those principles which members thought should govern and inspire the nation's economic effort. All speeches are quoted verbatim. They have often been cut, even heavily cut. Omissions are usually indicated by a short sequence of dots in the text—thus . . . . . Between the different debates a few explanatory words have been added by the editor, and in all cases these are printed in italics. No words have been inserted in any speech, and in selecting material from the debates and in reducing its length no other aim than to shorten the record has been pursued. The sense of a speech has in no case been modified and no partisan or personal consideration has determined any abridgment. For the selections and abridgments the publishers alone are responsible. The permission of the Controller of H.M. Stationery Office has been obtained for the reproduction of the extracts from the Debates and grateful acknowledgment is here made of the courtesy and help of that Department.

## CHAPTER I

### GOVERNMENT ACTION AND PARLIAMENTARY ASSENT

*Naturally enough, the earliest days of the war saw no great volume of economic discussion in Parliament. In the preceding three years, and especially in the preceding six months, the Government had already acquired many of the powers which it needed to put the national economy upon a war footing, and the emergency legislation which it now demanded was for the most part agreed to without question. On a few matters, however, there took place debates which clearly foreshadowed the lines that future criticism was to take.*

#### *(a) The Control of Employment Bill*

*It was inevitable that the Opposition should question the Government's labour policy. On the 4th of September there was a brief debate on the National Registration Bill, and on the next day the introduction of the Control of Employment Bill gave an opportunity for much plain speaking.*

5th Sept., 1939

**THE MINISTER OF LABOUR (MR. ERNEST BROWN)** I beg to move,

"That leave be given to bring in a Bill to confer on the Minister of Labour powers with respect to the control of employment during the present emergency, and for purposes connected with the matter aforesaid."

Before I explain this most important Measure I must make crystal clear, if I can, what it does not do. It does not require a worker to leave employment with which he is content. It does not require a worker to accept employment with a particular employer. There is no question of any pressure being put upon a worker to remain in work which he wishes to leave. Finally, where consent to engagement or re-engagement is refused, the position will be that the worker, if unemployed, will be offered alternative employments in his or her own occupation. I am aware that that is not the usual way of explaining a Bill but, because this is such an important subject potentially, I thought it wise to make these things clear at the



outset I have said these things to avoid any misunderstanding, the industrial scientific and professional knowledge and skill of the people will be more vital in this war than ever before

The Bill has as its main object to secure that the man and woman power of the land is used to the best advantage that in cases where there is a shortage of essential labour and the work for which these workers are wanted is of vital importance any labour and knowledge not engaged at the moment shall be directed to the employment most useful to the nation in this struggle. The processes of the Bill are devised so that personnel may be guided as to the employments which are the most vital. The Bill affects first the advertising of vacancies by employers and second new engagements of labour. In both cases the Bill gives power to the Minister to make orders specifying to what classes of employers and workers the requirements are to apply. I wish to make it clear that before any order is made relating to particular classes of personnel the recognised bodies of employers and workers will be taken fully into consultation. We have been in consultation with the Trades Union Congress General Council and the British Employers Federation and they accept the principle of the Bill on the understanding that they will be consulted on any orders to be made and that there will be no undue interference with the arrangements now existing between employers and trade unions in regard to the engagement and employment of workpeople. I wish also to make it clear that it is not expected to use these powers widely in the early days they will be used at first in the case of limited classes of occupations affecting skilled personnel in those vital industries where there may be a very special demand for them.

I want the House and the country to understand that in all our dealings it is our intention to use to the fullest extent the existing voluntary industrial machinery both on the employers and the workers side. This is vital as the operation of the Bill potentially though not in the early stages affects all classes of employees whether manual technical or professional.

Apart from the restrictions on advertisements the essential feature of the Bill is that in the cases to which after due consultation it is applied by Order no new engagement or re-engagement shall take place without the Minister's consent. The primary machinery will naturally be that of the Employment Exchange and in the case of scientific managerial and professional workers the National Service Central Register. The Government intend to use to the full the machinery which now exists in various industries subject only to the governing condition that the labour must be used for the best interest of the national struggle.

Clause 1 gives the Minister power to make an order prohibiting

unless with the Minister's consent an employer to whom the order applies from advertising his wish to engage and from engaging or re-engaging an unemployed man. It is most undesirable in the national interest for advertisements to appear offering inducements to workers to go from one employer to another, when it may not be to the national advantage that a worker should leave that employer because he may be doing work with the new employer not as essential as the work which he leaves. Clause 1 (1, a) makes it illegal after the date specified in an order for an employer to whom an order applies to advertise a vacancy for an employee to whom the order applies unless the Minister consents. Where there is a shortage of a particular class of labour the employer naturally resorts to advertising in various forms. In war time unregulated advertisements for essential classes of work cannot be accepted because of the unsettling effect throughout industry and particularly upon the ordinary trades union and organised machinery for settling industrial conditions and carrying out of agreements. I want to make it quite clear also that consent to the publication of advertisement will not be unreasonably withheld.

Clause 1 (1, b) requires consent to be given by or on behalf of the Minister to any engagement or re engagement covered by an Order.

Clause 2 gives power to appoint inspectors. In order to secure enforcement of the provision of the Act it will be necessary for authorised persons to have access to workshops and factories where workpeople within the scope of the orders which may be made are employed.

The House will recognise that this Measure is not only necessary on the productive side of our national effort but is in the interests as the General Council of the Trades Union Congress and the Federation of Employers are agreed of the harmonious working of industry in which the Government the trades unions and organised employers will all play their part in securing victory for our cause. I would like to add that when the industrial history of the last four years comes to be written the story of the organisation production and delivery of national industrial supplies will reveal a wonderful effort on the part of all concerned—the man at the bench as well as employers, technicians and managers.

MR GRENFELL. In these recent days when Parliamentary discussion has been so much curtailed the Minister has rightly taken more than the usual time to call attention to the main principles in this Bill. The title of the Bill is not very reassuring. There is a good deal of distrust whenever it is suggested that employment should be controlled. We speak on this side of the House with a full knowledge of the effect that its passage may have on the mass of

the people of this country. . . . I should not have been accept the Bill without a definite assurance that those who responsible for watching over the conditions of labour and ment in this country have been fully consulted and that they gone so far as to give approval to the principles of the Bill. . . .

The Minister has rightly said that the task in which we are all engaged will depend more than ever before upon satisfaction of the claims of the workpeople, and that there is evidence that they are not being ignored when the task of national organisation is being undertaken. Of the men who are wearing uniform and will be called upon to fight, we are exceedingly proud. . . . But the courage and the devotion to duty of the men who are wearing uniform, whether at home or abroad, will be of no avail in the struggle if a dozen or a score of people are not available to supply every fighting man with what is necessary. For every fighting man there will have to be 12 or 15 producing munitions and food and carrying on essential national services. Unless that overwhelming majority during the period of emergency, which may be long or short, are kept contented, unless they are assured of full consideration on the part of the Government and of this House, we shall never get that uninterrupted, loyal and consistent service which will mean success to us in the end.

I speak as one who has been a workman, and has been engaged in the struggle, not against a foreign country but against people who dissented from the proper assessment of our claims. I have even fought against my own neighbours in order that the workers might be assured of proper working and living conditions. I have always had and still have a very grim suspicion of any plan for the regimentation, militarisation or conscription of labour. I do not believe that this Bill proposes anything of that kind. If it did, I would not stand here to support it. . . . We must be prepared to consider what steps are necessary in the emergency. In normal times I should say that labour should be free to go where it will. We have always made that claim. We have always said that labour should be able to take advantage of all the prospects that offer. . . . I hope that labour will get more out of a Bill of this kind, with the full recognition of its place in the national life. If this House is prepared to give labour a square deal to-day and to-morrow, then labour will get more out of this Bill than if it was not organised in this emergency. We must have organisation. If I were not convinced of that necessarily in this emergency, I should hesitate to put any restriction upon the rights of labour. You must have organisation if you are to win through in this struggle. It is vitally necessary that labour should in certain circumstances, even in war, certainly times of peace, for personal, social and health reasons, be

allowed to change its location. It is not always well that a man should remain in the same occupation and in the same place. It is right that he should change the location of his employment; and there is no reason why that should not be done, with proper organisation. But I can see the possibility of its being very difficult to ensure that freedom of movement unless there is organisation in the production and the use of labour.

I hope that whatever is done in this House in the organisation of labour will not be done at the expense of the freedom of the worker, but that we shall give the worker the greatest freedom and the highest measure of reward and remuneration possible, for the services he renders. There is nothing said about that in the Bill. It refers in the Preamble only to the control of employment. I hope it will be made sufficiently clear that this is not a Bill to put labour in handcuffs and all that kind of nonsense. I do not think that if we examine the Bill we shall find that there is much curtailment of the rights of labour, except what is necessary for its more efficient organisation, and to prevent labour being wastefully used and being lured from a place of most efficient service to a place of less efficient service.

The Minister knows how necessary it is for him to have a contented people. What a hopeless job he has unless he maintains the confidence of and friendly relations with organised workers. His job is going to be the most ghastly failure unless he obtains this confidence and these friendly relations and unless we get a contented body of 12 000 000 workers in this country this House will still hear from them. We have no truce with the Government in these matters. We have agreed to do everything we can to win this war, to defeat Hitlerism and industrial conscription, and to defeat the serfdom of the workers and we shall not willingly consent to have any instalment of that imposed on the workers of this country by any Government which is in power. I am not so very much afraid of the Bill because there have been consultations and I have been assured on the matter by those who speak for organised labour. We represent our constituents because we are members of the industrial community first and afterwards political representatives in this House and it is because I know that people outside the House have examined this subject and have been in consultation with the Minister that I say that we have no objection to the introduction of the Bill.

MR MARKHAM: I think all hon. Members will agree that in normal times there is not a Member of the House who would have had anything but the greatest antagonism towards such a Bill. It is a terrible Bill. It is a Bill that absolutely restricts the freedom of a man to offer his labour where he wants.

MR E SMITH Only certain men

MR MARKHAM It can be applied to all industries 11  
the Bill we are giving the Minister more power in some ways  
any Fascist or Nazi Minister of Labour has in any totalitarian  
country While one has all faith and confidence in the  
Minister of Labour one has to face the fact that in certain war  
conditions there might be a Minister of Labour who was  
sympathetic in the sense that he would not willingly listen to  
suggestions that were made outside the scope of the Act  
might then see an entire abolition of industrial freedom as we  
it a restriction so severe that it would mean that a man no  
what might be his skill or ability would be bound to one particular  
job for the whole of the emergency

MR BROWN I think the hon Member is entirely misinter-  
preting the Bill This Bill will not prevent any man from  
changing his employment it will not compel him to take any  
particular job The hon Member is making assertions which how-  
ever sincere he may be show that he has a false impression of what  
the Bill does

MR KIRKWOOD I hope the Minister will take back this Bill  
as it stands We had a bitter experience of this in the last War  
and it was because of words in the Defence of the Realm Act then  
that all the trouble was caused in the engineering industry Then  
the Government had the power which the Minister desires to have  
under this Bill and the workman was denied the right to leave one  
employer and go to another Immediately that became the law  
of the land there was aroused particularly on the Clyde the desire  
to have that idea overthrown I pointed out to the then Minister  
of Munitions the right hon Gentleman the Member for Carnarvon  
Boroughs (Mr Lloyd George) that I had had no desire to leave  
my employer up to that moment But it was a different thing when  
I was denied the right of a free born Briton to sell my labour the  
only thing I possessed to whatever employer I chose The same  
thing took place in practically every big establishment on the Clyde  
All the key men men who had practically been reared in the different  
factories in which they worked men like the hon Member for West  
Fife (Mr Gallacher) felt that desire I pointed out to the right  
hon Gentleman the Member for Carnarvon Boroughs on behalf  
of the men of the Clyde that that Act appeared to brand on my  
brow a letter B just as effectively as if I had been a slave of  
Beardmore's

MR E BROWN The hon Member realises how much I know  
about his feelings on that matter but this Bill is drawn in precisely  
the opposite way There is nothing in the Bill which will prevent  
any man going to another employer

MR GALLACHER But the other employer cannot take him  
MR KIRKWOOD It is stated distinctly

after the said date such employer shall not engage or re-engage any such employé

We are not raising this matter merely in order to embarrass the Government. The very opposite is the case. No one has been more fortunate than the right hon Gentleman who is in charge of the Bill. Our union has met him in every way. There is at the moment a spirit abroad in our industry that never was in Britain before. We are all backing that spirit. We are all out to crush Nazism in no uncertain fashion. It is because of that I rise here to night. It is in order that we may keep that spirit. It is all right that there should be the fraternisation which is going on in this House but the workers in the workshops are still the workers. They had a bitter experience in the last War. We had some of the ablest men in our movement in this House—outstanding men who carried the country with them in safeguarding our rights.

Those safeguards were not worth anything after the War after we had surrendered and given up all our rights.

It is because of that bitter experience and not in any way to trouble the Government that we are suspicious.

I may be wrong, but I am utterly suspicious of the ruling class. It is in the marrow of my bones because my class right down the ages have been treated in a manner in which I do not desire to see them treated in my time. I am hoping that instead of harsher conditions or any division happening we are getting nearer and nearer to a unified country as there is at the moment. I have been spending the week-end in good understanding with employers who formerly had not a very good understanding and it is because I desire to keep that understanding and have given pledges to the workers who are watching us to see that we do not let them down that I oppose this Bill.

MR. E SMITH During the last day or two I have taken steps to ascertain over as wide an area as possible the views of the people of this country with regard to the present situation. I find that there is a great spirit among our people with regard to it. In this House we have reflected that spirit and the maximum amount of good will has been shown in the Debates which have taken place up till now. The minimum number of words has been used in expressing ourselves on any issue that has been raised. On this matter I would be lacking in my duty to the men I represent and with whom I have been proud to be associated since my boyhood days if I did not associate myself with the observations made by my hon Friend the Member for Dumbarton Burghs (Mr Kirkwood).

The right hon Gentleman the Member for Epping will remember only too well what happened when he introduced the leaving certificates during the last War. They were more responsible than anything else for retarding production during that period and within a few days the right hon Gentleman came to the House with Lord Addison and those leaving certificates were withdrawn. The result was that all the friction was eliminated, good will was restored and production went up immediately.

MR GALLACHER: I wish to impress on the Minister the necessity of withdrawing this Bill. In the first place I would endorse all that has been said by my hon Friend the Member for Dumbarton Burghs (Mr Kirkwood) as to his experience and mine and that of many others during the last War. The most important factor in securing the speediest possible defeat of the Nazi aggressors will be the sustained unity of the working-class people of this country. The one thing that may injure that unity which is so essential for victory is the slightest suspicion that Nazism itself is being introduced. This may not be industrial conscription but it is a very thick chunk of the thin edge. The Minister says that a man can leave his job if he is discontented. Of course he can, but he cannot get another. He cannot go to another employer. That other employer cannot engage him.

There has been according to the Minister the most remarkable co-ordination between employers, managements, trade union leaders, technicians and workers. If that is the case, where is the need for such a very dangerous expedient? Someone says we require organisation but we have organisation. The trade union organisation is quite capable of relating the needs of particular industries. All the Minister has to do is to go to a particular trade union, the engineers or any other, and make it clear that skilled workers are required to be taken from one place towards another. The engineers union will do that and the Transport Workers Union will do it. It is not a question of organisation. Here is a question of inquisition, a very dangerous thing in the present situation. So I would earnestly appeal to the Minister to withdraw the Bill.

14th September

THE MINISTER OF LABOUR (MR. ERNEST BROWN): I beg to move. That the Bill be now read a Second time.

During the First Reading it became clear that further consultations with the workers and employers organisations were desirable before Second Reading. I am glad to inform the House that these discussions have taken place and that as a result certain agreed Amendments will be placed on the Order Paper.

to secure the fullest consultation at the beginning of and throughout the whole procedure under this Bill

The Amendments are designed and drafted in three main groups. The first group will provide that before making an order under the Act the Minister must refer it in draft to a committee appointed by him consisting of a chairman and equal numbers of members representing respectively organisations of workers and organisations of employers which appear to him to be concerned and that any report of the committee must be laid before the House with the order when made

The second group will safeguard the worker by providing, first, that consent to engagement or re-engagement must not be refused unless the Minister can notify to the worker concerned at the same time suitable alternative employment, and secondly that an employé can appeal to the court of referees if he says that suitable alternative employment was not offered to him. If the court of referees uphold him consent is automatically given

The next group of Amendments will give statutory form to an undertaking which I gave on First Reading, and they will enable joint machinery of the trade unions and employers whether existing now or set up hereafter, to be used for effecting engagements if duly approved and subject to approved conditions

Arising out of the First Reading Debate, I want to say two things. The first is that there is no question of the dilution of labour under this Bill and the second is that neither is there any question of the leaving certificate which was adopted and abandoned in the last War



industrial knowledge ability and experience and the patriotism of our people will be a vital element in the struggle for victory. The Bill has reached this stage as the result of much detailed discussion and helpful constructive co-operation by the Trades Union Congress and the Employers' Federation for which I—and I am speaking for the Government—am profoundly grateful. The discussions illustrate the spirit in which the Government intend to proceed on all matters connected with the operation of this Bill, and I may add in relation to all other questions affecting our industrial relations.

**MR. DAVID GRENFELL.** There can be no doubt in the minds of those who have examined this legislation that the concessions announced by the Minister to-day are very important concessions indeed and must bring much satisfaction to the minds of those who sit on this side of the House and who are more directly responsible for the reactions in Parliament than Members who may not have as intimate a contact with labour and its problems.

**SIR JONAH WALKER SMITH.** I am a little afraid that the genesis of this Measure savours very much of the principle of compulsion. I will not say conscription but there are certainly some strong inducements for men to go in certain directions that it is very much akin to compulsion. I am very much afraid that the genesis of that is to be found in the desire of the very large contractors and manufacturers who are in contract with the Government for the supply of the essential needs.

It is necessary to consider for one moment the circumstances in which these contracts are placed. It is the old custom of the Service Departments that they will not take the trouble to relate their requirements and their demands to the resources of production. In lieu of doing that they content themselves with the selection of a certain number of large contractors and manufacturers and when these large contractors and manufacturers have placed their contracts they leave them to solve the problem which is really a Government problem of considering the means of production. Having done that and having unloaded their own responsibility on to the manufacturers and other contracting bodies they then enter into contracts with them which do not leave any particular incentive with the manufacturer or the contractor either to economise in cost or in the use of labour. They are left free to offer all sorts of inducements to attempt to attract labour from far and wide. They offer travelling allowances, subsistence allowances, lodging allowances and unlimited overtime and by various devices of that kind they attract the labour to their huge works. It is very soon found that that is no solution of their difficulty at all. They are unable to deliver the goods or complete the work within the prescribed time and then

they claim that the remedy for them is not to look to the better efficiency of their works and not to refrain from taking on further additional work in excess of their resources and contracts but that it is to be found in obtaining more labour. More labour comes to them and then you get into this vicious circle that their jobs get over and the manufacturers get overcrowded the costs pile up contracts instead of being speeded up are delayed labour unrest is caused. We very soon find ourselves in that vicious circle.

That is the genesis of this demand. It is the demand of the large manufacturers and contractors to have some very strong measure of inducement amounting almost to compulsion to get additional labour on to jobs for which they have contracted under these conditions. In the meantime all the smaller manufacturers and contractors are being practically starved out of existence. As they have no further use for their labour gradually it drifts to these very large works and factories where these high inducements are offered. Let it not be thought for one moment that these large inducements and these large pay packets are to the advantage of the worker. I know that it is not so. A very large amount of that money goes in personal expenses subsistence allowances and the maintenance of two organisations and they are fleeced unmercifully in regard to their lodging and maintenance in the places to which they have been attracted. It can by no means be assumed that because the pay is high or comparatively high their economic position is improved.

Suddenly these works will come to an end. Either the manufacturer will complete the supplies required or where there are engineering or other works these large constructional works will suddenly come to an end. What is to happen then? The men who have been attracted to these places by these inducements, and this poaching method to which the Minister referred will wish to come back. To what are they to come back? The smaller factories and contractors have been starved out of existence and there will be nothing whatever to which to come back. They will be derelict and thrown upon industry like so much scrap metal. I saw the disastrous result of this as a consequence of the last War in regard to the building industry with the result that when we wanted the resources of the building industry for urgent housing schemes they had disappeared and were not available.

MR BEVAN. This mobility of labour which is being complained about is very largely the only effective leverage which the worker has not only in order to improve his wages but to influence the kind of employer for whom he works.

The punishment for an employer who does not treat his workers properly is for him to be deprived of his workers, and the only way

in which a body of workers can exercise any control at all over the conditions of their employment is by their being able to punish the employer with the possibility of being stripped of his labour. Therefore immediately you render labour immobile by legislation of this kind you are making the employer more effective, giving him greater control over his workers and preventing the workers from improving their conditions. I was smiling rather cynically during the speech of the Minister. I remember what happened on a former occasion when it was not a case of labour being too mobile but of labour being too rigid. We had a discussion about the rigidity of labour. The Employers' Federation issued a leaflet in which they attacked the whole insurance system of the country because it created such favourable conditions for labour that a workman could prefer to remain unemployed in some areas rather than go to other parts of the country where work was available. They said that the insurance conditions must be made less favourable in order to bring about the rigidity of labour. Now that labour is not rigid but unintelligibly mobile it does not know where its best interests lie and so we have a Bill to make labour more rigid. Capital can be as mobile as it likes but it is indiscreet for labour to be mobile in the same way. There is a lot of humbug and cant behind the whole of it. During the last 15 to 20 years the labour market has favoured the employer as against the worker with the result that wages have been depressed all over the country and Great Britain has now fallen in the scale in regard to the standard of wages.

We should look upon the Bill a little more favourably if there were effective restrictions upon profiteering. I do not want to add strictures upon my own colleagues but I would say to the trade unions that before they co-operated with this Bill they should have made that a condition of their co-operation otherwise their co-operation with the Government will not receive the endorsement of their members. It will be impossible to honour the provisions of this Bill if excessive profits are being made by employers and the workers are at the same time being clamped down from having any increase in wages. It is not enough to receive the endorsement of the trade union machine if that endorsement is not spiritually endorsed by the members of the trade unions. I remember very vividly a circumstance in the year 1915. There was a stoppage in South Wales and we got a 17½ per cent increase in wages. It was an unofficial stoppage. There had been some kind of gentleman's understanding but it was broken in a year because conditions became so intolerable that shop steward movements were started and from the bottom arose a movement which blew up the thin crust of agreement at the top.

We are not entitled in my opinion to give the Government these

powers until there has been effective control over profiteering. It is not conducive to national unity, and does not create the wholesome atmosphere in the country. It brings us under suspicion if we agree to legislation of this sort which prevents labour from taking advantage of circumstances favourable to itself and, at the same time, permits employers all over the country to exploit the national emergency and make such huge profits that the Chancellor of the Exchequer has to put special measures of taxation upon them in his Budget. I think that the wisest thing the Minister can do is to withdraw the Bill, because the effect of it is going to be very bad. Always in the history of this country when circumstances have favoured the under-dog, legislation has been brought forward to prevent him from taking advantage of it. . . .

Now we are having the same kind of legislation again. In this Bill, the employers are told beforehand that if they pay higher wages than those agreed upon between the unions and the employers, it will be regarded as an inducement and will be a punishable offence. In this Bill, the Government are trying to put a ceiling to wages, but they are putting no ceiling to profits. Such unfair legislation will do more damage to the national morale than anything else that could be done. The Minister of Labour ought to withdraw the Bill until he is able to say that, if we are to make a great national effort, no one, be he employer or workman, will take advantage of the circumstances. . . .

MR. STEPHEN: I thank the Minister for giving me an opportunity of stating the views of my colleagues and myself on this Measure. . . . One hon. Member said he had not the slightest doubt that it was really industrial conscription. It may not be industrial conscription, but in our view it certainly prepares the way for industrial conscription, and the situation in which it will place the workpeople of this country is, to our minds, absolutely unfair and unjustified.

This is evidently a Bill promoted by the powerful organised employers of the country in view of the present situation. It will limit the rights and opportunities of workpeople in a very cruel way. During periods of slump the workpeople have always had to accept reductions of wages, but when the national situation puts them into a more powerful position, legislation of this kind is introduced to take from them the possibilities which would otherwise be presented to them under the operation of the law of supply and demand. When it is a case of slump hon. Members opposite and the Government say to the workers, "You must not interfere with an economic law." But in this Bill there is interference with what is regarded as an economic law, not to be interfered with in normal times. . . .

There is one thing that I notice in regard to this Bill. A man is not to be allowed to leave his employment. I do not want to put it too strongly but generally speaking the mobility of labour is to be stopped and the individual is to be tied to his employment.

But a man is not guaranteed employment with the employer; he is not guaranteed his job. Unless the Minister is prepared to give us an assurance of permanent employment for the work people of the country I myself and my colleagues are prepared to divide the House on this Bill.

MR. E. BROWN. I think the hon. Member for Camlachie (Mr. Stephen) would much prefer to be in this country than in some of the lands where employment may be guaranteed. When the hon. Member thinks over the implications of what he has just said I believe he will think more kindly of this Measure and of those who, having surveyed the field of experience in 1914-18, have agreed that some method of orderly arrangement in order to get the maximum effort in this crisis is absolutely vital. Let any hon. Member who is now full of suspicion of this Measure do a very simple thing in the next week or two in his leisure time if he has any. Let him go into the Library of this House, take down from the shelves the reports of the Barnes Commission on the Forces of Industrial Unrest in War time issued in 1917 and read not only the reports but the evidence and he will understand why the Government, having surveyed the difficulties of that time, have sought to proceed along this modest but I believe effective way.

The fact is that the case against this Bill is largely unreal. We are proposing a Measure to make by consultation orders applicable to certain employers and certain workmen and it will probably be the fact since the workers will be highly skilled that their wages will be high and therefore the argument put forward by the hon. Member about low wages does not arise. The fact is that any reflection on those very interesting reports from every one of the nine districts engaged in munition work in the last War shows that it is not to the permanent interest of labour to have feverish, spasmodic, particular advances by particular employers for their own purposes. The real interest both of the employers and of the country and most of all of labour is that the machinery between the unions and the employers should grow and strengthen so that steady gains may be achieved, gains that will last.

## (b) *The Ministry of Supply*

*The next important discussion came on the 21st of September when Mr Burgin outlined to a critical House of Commons the structure and functions of the Ministry of Supply*

THE MINISTER OF SUPPLY (MR BURGIN) . . . Every Member of the House will realise that the organisation of supply must, even in peace time, be an immense undertaking, but once war has broken out the problem becomes bigger still and one which literally knows no limit. My opportunity to-day is to enable the House and the country to have some conception of the manner in which the problem of supply is being taken.

One of the chief responsibilities of the Ministry of Supply, and it is one that will affect supply for all the Services, for all Government Departments, and for the whole economic life of the country, is responsibility with regard to raw materials. Under the Act setting up the Ministry and the order subsequently made, the duties regarding stocks of various essential commodities were transferred to me, and in addition extensive powers were given under the defence regulations, and I have already made great use of them. The essential purpose of my duties with regard to raw materials is to see that such supplies of the materials as are available are used to the best purpose, having regard to the essential needs of the country, to see that when supplies are not being replenished by the normal processes of trade some other steps are taken to replenish them, and to see that supplies are available at reasonable prices. I have already found it necessary to set up a number of control organisations, covering iron and steel, timber, copper, lead, zinc, aluminium, wool, paper, leather and a number of other things.

The action that has been taken has varied in each case, but the principles are the same, namely, first, to see whether any shortage or difficulty is to be expected and then to see that what is available is used to the best advantage. The element of control has in general been applied lightly in the first place, with every effort to prevent any disturbance of useful work and to prevent disturbance of the ordinary commercial channels. It may well be necessary gradually to increase the measure of control as demands increase and as more information becomes available as to what supplies will be obtainable and what substitutes can be used. In some cases it must be understood that as time goes on normal supplies will be available only for the most essential purposes, and for that purpose "essential purposes" will have to be very strictly defined. Control of this kind must affect fundamentally every part of the industry covered by it, not only that part engaged on work for Govern-

ment Departments, . . . and adaptation of many industries to war conditions will no doubt be necessary. . . .

Not the least important element in the control of materials relates to prices. . . . For a great many materials maximum prices have already been fixed at about the price ruling at the time war broke out. . . . Some, no doubt, will have to be increased. That will depend on a number of factors, including the general level of world prices and the terms and conditions under which we are able to obtain further supplies; but the general principle will remain unaltered, that is to see that supplies are available for essential needs at reasonable prices. . . .

The growth of the air menace made the first priority the defence of the country against air attack, and the whole of the programme for the air defence of Great Britain, as I think all hon. Members will agree, quite rightly, has had first place—everything connected with anti-aircraft guns, searchlights, detectors, ammunition, instruments and transport; everything required for the air defence of Great Britain has first priority. I ask hon. Members to recollect that fact in connection with the gun-production programme.

I think, apart from the anti-aircraft programme, I should put the order of the tasks which I have to perform in connection with Army supply, something like this. My first task is to equip the Fighting Services of the nation with everything requisite for the conduct of military operations and the maintenance of those operations on a war scale. . . .

I regard as my second task the organisation of the power to produce everything which foresight, and the lessons learned from the last War and from experience, indicate as being the probable requirements of those Fighting Forces at any time during the war. My third task is the provision of sufficient reserve equipment of every kind for the maintenance and expansion of those military Forces as the needs of the war, casualties and wastage may require. . . .

My fourth task is the extraction from the sources of production within the country, both actual and capable of being created, of every ounce of endeavour and every ton of output likely to be of service to ourselves or our Allies, present or future. Then there is the organisation of the provision of raw materials, semi-manufactured and manufactured goods, required not only for armaments but for maintaining the life of the nation and for carrying on our export trade; and the earning and winning of foreign exchange with which to purchase goods and equipment from outside our own sources of supply. . . .

Let me now tell the House how this problem has been tackled. On 20th April I was appointed Minister of Supply Designate.

We were quickly able to start an embryo organisation and to investigate the size of the problem. It was on 1st August, seven weeks ago that the Ministry of Supply came into being. In peace time the Ministry of Supply was the normal departmental machine working with the manufacturer who received the orders from the Fighting Services and in accordance with those orders Treasury approval having been obtained, set to work to provide and cater for the supply. Under present conditions, war having been declared the task is immensely wider because there are certain limiting time factors in munitions supply just as there are in other forms of manufacturing effort. You cannot instantaneously produce from an empty field or an empty building, munitions of war. Machinery has to be collected, machine tools arranged in their right order, jigs and tools prepared. In some cases the lag between authority to begin and actual output even in war time cannot be reduced below 12 months. I want the House to take it as a solemn statement of industrial fact that, in certain classes of production there are these limiting factors. There is gun production for instance and there are certain kinds of explosives which cannot be produced within 12 months from the order to begin.



President of the Federation of British Industries has been selected

As Director General of Equipment and Stores I am able to announce the appointment of Lord Woolton

I have referred to the work of the Ministry represented by the control of raw materials and that side of the work will be represented on the Council by Sir Andrew Duncan the steel controller who will be Chairman of the Committee of Controllers

Now I pass to priorities. Anyone familiar with munition production will realise the immense importance of all questions relating to priorities priorities not only of Service requirements over civilian needs but priorities as between the Services themselves. The House will like to know that a comprehensive priority machine is beginning to function under the chairmanship of my hon. and gallant Friend the Parliamentary Secretary

The next topic that I take is artillery. Guns take a long time to make and they are the main determining factor in military operations as to the extent to which the Forces themselves can be protected from onslaught by the enemy forces. The Expeditionary Force requires heavy artillery medium and field artillery and ammunition supplies sufficient on modern war scales on the basis calculated by the General Staff. Besides heavy and medium and field artillery modern forces require a great many other weapons—tanks anti tank guns tank rifles anti aircraft guns trench weapons machine guns Bren guns and a vast armoury of fighting material and all of this material being of greater precision more rapid rate of fire and higher velocity tends under modern conditions to have a shorter life to wear out quicker to require more early replacement and consequently to be supplied in ever growing numbers and all of these weapons require ammunition cartridge cases fuses filling propellants on a vast scale. Moreover with the tendency to mechanisation units require all this material to be capable of being brought up to them in their fighting positions by carriers mechanised transport track vehicles and a host of other similar gear

To produce originally the whole material for a force of the requisite size determined to maintain that force in the field to fill up gaps to maintain drafts to equip reserves fresh units and fresh formations means that the basis of planning must be bold must be created with vision and with due regard to the unexpected in war to the possibility of mishap and to the possibility of enemy interference and with the note always before our eyes of the essential necessity of there being enough of everything at the only time when it matters. The re-armament programme of the nation began two years ago it progressed month by month towards its

fulfilment, and progress was made on many different branches of production within the limits laid down from time to time. The outbreak of war has meant that the problem vast as it always was of equipping and maintaining in the field the Army of the size then contemplated has to be enlarged to a far greater horizon by the needs of inevitable further effort military and civil British and Allied and by the necessity of supplying countries hard pressed in the early stages of the war with a thousand and one necessities of which they may find themselves short and above all by the long term organisation for manufacture on an almost illimitable scale.

The Deputy Leader of the Opposition and the right hon. Member for Caithness (Sir A. Sinclair) both in recent speeches referred to the census of capacity that was taken during the last war and seemed rather to suggest that nothing of this kind has been done this time. That is not the case. There has been the Supply Board organisation for all Services and a Directorate of Industrial Planning, which starting in the War Office and now transferred to the Ministry of Supply has systematically been combing the productive potential of the country for munition supplies and listing the firms, the managerial capacity, the actual tool floor space and other essentials and particulars are at the disposal of the supply organisation of 9,000 firms, most of whose plant has been critically surveyed and who have provisionally wherever possible been allocated either for immediate production of war material or for conversion and swing-over to war material at an early date.

There is in effect a system of national factories. The direct national factories are of course the Royal Ordnance factories. There were four available at the beginning of the defence programme. Eighteen have been put in hand since then and six have been put in hand since the outbreak of war making a total of 28 ordnance factories. There are in addition a very large number of factories which though managed by the firms are in substance national factories since the plant has been provided by the Government and remains the property of the Government. The reason why a larger number of additional national factories are not being put in hand is that the time factor is against it. It is quicker and preferable from many points of view to utilise the facilities, technical staff and labour of existing industrial firms besides which there is a greater capacity for expansion quickly than would be the case if the efforts were confined to fewer but larger units and labour difficulties are to some extent avoided by utilising as far as possible existing industrial plant.

Hon. Members who ask that small firms should be utilised and their capacity brought into production are pushing at an open door. Everything possible along those lines is being done and will continue.

to be done. . . . I am, however, at the same time most anxious not to dissipate effort. The House must bear in mind that it is a lesson learned from experience that too rapid sub-contracting, too extensive distribution, although it ensures in years to come a greater total output, inevitably for the moment slows down actual supplies. It is a very delicate balance that has to be maintained between the desire for immediate production in the first six or 12 months from the outbreak of the war of essentials for instantaneous use against the enemy on the one hand, and the necessity to provide on an enormously extended basis for an even greater further supply of commodities such as, for example, ammunition at a later stage in the war. . . .

The machine-tool industry suffered very adversely in the depression of 1931 onwards. Some firms actually went out of existence. The industry has made great strides since those days, and now makes a very substantial contribution to the nation's economy. There are normally many millions of pounds of machine tools exported every year, and there is an importation into this country also of some millions of pounds sterling. The machine-tool industry is to the nation as the tool room is to the factory. Without the tool the factory cannot produce. Without the machine tools the country's production is handicapped. . . .

I deliberately refrain from giving details. The matter is a delicate one, and, in the national interest, does not admit of much in the way of debate, but I would say to the House that I am satisfied that the machine-tool industry is making an immense effort to comply with Government requirements, that it is making a most powerful contribution to armament supply, and that I am convinced that the call upon that industry to double and redouble its efforts to meet the demands for armaments which we are making, and which we are bound in the future to have to make, upon them will meet with a willing response.

I turn now to the question of profit, control of prices and profiteering. The idea that an industrialist, a group of manufacturers or an individual, should make an ill-gotten profit out of the necessities of the nation is repugnant, and the House will back the Government in any steps the Government may think fit to take to see that these malpractices and abuses do not occur. The Ministry of Supply is equipped with powers under the Ministry of Supply Act to control prices, to check costs and to limit rises in price throughout the whole realm of armament production. It has in its Raw Material Section set up Controllers for essential commodities. They in their turn have carefully worked out schemes to control the prices of the raw materials, and whilst every effort is made at source, at the time of placing the

contract to prevent an undue profit being made should notwithstanding this vigilance an undue profit accrue the Armaments Profits Duty is there to take for the benefit of the public the surplus of profit ascertained in accordance with the Finance Act

There is no single factor of greater importance than that representatives of organised labour should approve the general framework of the expansion scheme. In the last War labour questions affecting munitions supply were largely dealt with by the Ministry of Munitions. This time it is the considered view that it is preferable that the relations of industry and labour should be the concern of my right hon. Friend the Minister of Labour and the recognised machinery of his Department. I announce therefore as a matter of Government policy that it will be my intention and desire throughout the whole programme of munitions supply to request the Minister of Labour to provide the machinery for dealing with labour problems.

MR ARTHUR GREENWOOD. I have listened with profound dismay to the speech of the right hon. Gentleman. I think it is perhaps the most unfortunate speech which this House has heard since the beginning of the new Great War. If I understand it aright, the dead hand of officialism is to throttle the national effort. I can see it to-day in this vast mechanism which the right hon. Gentleman is building up. I have never heard anything so bureaucratic as the machinery which the right hon. Gentleman has outlined to us for discussion. I grieve to say this because in recent weeks I have spoken with studied moderation of language, but this is a matter in which we are vitally concerned and I think, therefore, that I am entitled, on this occasion, to speak somewhat strongly.

repetition of the bloody shambles of the last Great War through lack of supplies. Britain will not send her sons to suicide clubs to be mown down by greater weight of metal but she will send her sons to fight and to sacrifice if they go with their implements in their hands and their reserves and supplies behind them. I am satisfied that this idea which broke down in the last war will break down now. I could take hon. Members to not scores but hundreds of shops in the engineering and allied industries where the managers and the charge hands could devise ways and means of doing things which the civil servant would say were utterly impossible.

I come to a matter which I have left to the last and which I am sorry I have to raise. The right hon. Gentleman left to the last the question of labour. He said that the relations of industry and labour—a beautiful distinction industry and labour—are to be the concern of the Ministry of Labour. The right hon. Gentleman referred to labour problems and then he spoke of his conception of the Ministry of Supply. That conception is not mine. That conception is not the conception of the Labour movement, without whose help and co-operation this Government cannot stand for another day.

We want to help but we can help only if we are treated with dignity and respect. The Labour movement cannot be regarded as a sort of helot class whose grievances about labour conditions may be settled so that they will make better slaves in munition factories and mines. I ask that labour in this problem of production should be treated on a basis of equality. The Civil Service is one thing but these vast problems of production which require experience, skill and adaptability can be solved only by people who are themselves in the industry. Therefore we ask that organised employers and organised labour should be brought in on the ground floor.

MR. STOKES: Listening to the speech of the Minister to-day two things crossed my mind. The first was that there would be a chuckle of delight in the Nazi camp to-night when the speech was telegraphed over there. Secondly it seemed to me that the Minister did not really tell us anything because his speech seemed a simple lecture on the organisation of a Ministry of Supply without informing us very much about what was actually being done.

I have one or two practical proposals to make. I looked forward to hearing from the Minister some kind of reference to an organisation or board of invention and research to which reference has been made before in this House.

MR. BURGIN: There is the director of Scientific Research with a staff of something like 100 of the most eminent scientists working under the Ministry all the time.

MR STOKES I am glad to know that The next point is whether there should not be some simplification of tendering. This may not apply so much to the Ministry of War, but it certainly applies to the other Departments. There is an infernal amount of delay and of unnecessary work due to the fact that a large number of firms are asked to investigate and tender for the same new products. The right thing to do is to invite a particular firm to tender for that work, make them quote a firm price for the goods and, when they have delivered them, make them give a certificate of the profit they have earned and render back to the Treasury any profit made over an agreed amount.

I would eliminate all competition—if you followed a proper rule of having profits properly certified. I suggest that the ridiculous methods which the Government have so far taken to control profits are no use at all because it is easy for any manufacturer to pass the baby on.

That brings me to the nauseating business of profiteering about which something has been said to-day. Labour is now bound hand and foot but the manufacturer is still free to go off with the swag and it is time that proper steps were taken to deal with that matter. I would call the attention of the Minister to a matter to which I referred before in this House and that is in relation to the mountings of the Bosfors gun. It was a case where the sub-contractor was asked to quote and was told by the main contractor that the price was too low and that he must put it up by 50 per cent when he would have an order. I got rather howled at from the other side of the House for not mentioning the names of the people concerned but I refused to do so. I am glad to say that the manufacturer very patriotically came forward and furnished the Minister with the necessary information but I have yet to learn that anything was done to deal with that case.

With regard to exports I must pay a tribute—perhaps the only one I can—to the Minister. He has given me his personal assurance that on no account will the export trade be interfered with and I am bound to say that whatever has been the experience of others, my export trade has not been interrupted in any way by the Ministry of Supply, nor have we had any difficulty in getting the supplies we need. Is this not the moment, at a time when we need the maximum goods at the minimum cost and when we need to stimulate export trade to the utmost to abolish tariffs and other restrictions on trade?

MR AMERY I would like to draw attention to a matter of considerable importance affecting the work of the right hon Gentleman's Department although the actual decision rests with the Cabinet. That is the danger of raising the cost of su

ourselves by competitive buying in the United States and at other sources of supply. In the last war prices of goods supplied to ourselves and our Allies were raised disastrously as a result of competitive buying between different Government Departments and different Allied Governments. I understand that at the last meeting between the Prime Minister and M. Daladier it was decided that the two nations should act as one in the field of strategy. It is no less important that we should act as one in the field of supply. The question of supply, particularly in the United States, whether it extends to munitions or only to raw materials, should not be in the hands of a number of minor representatives of different services, or even of different Governments, but the whole business of supply for all the services of this country, and, if you can arrange it, for the services of the Dominions and France, should be centralised in a single organisation, at the head of which there should be as authoritative and capable a business man as the Government can find. I am sure that that would make a great deal of difference in the cost of the war.

I would just say a word on another aspect of supply, where, again, the administration may be in my right hon. Friend's hands, but the question of policy affects the Ministry of Economic Warfare, the Foreign Office and other Government Departments. That is the question of securing supplies from countries which would otherwise supply Germany. This is a question not only of what we need but of what Germany needs and we can deprive her of. It is going to be an essential element in the strategy of this war that we should be able to buy things away from Germany at better prices than she can pay, and, in return for better export goods, get things which might otherwise go to Germany. That might mean in some cases paying for supplies at prices which otherwise we should not pay, but in these days considerations of pure business must give way to considerations of strategy. . . .

The question of supplies, especially from countries which Germany can get at, is, of course, linked inevitably with the question of exports to those countries, and it may become of immense importance, not only that everything should be done to keep our general export trade as efficient as possible, but that we should take special measures to help, even to subsidise, our export trade in special markets where it is essential to us to undersell Germany. This is a question on which policy should not be governed by normal ideas of trade. I am in agreement with those who have spoken of the necessity for giving freedom to business men, but policy has to be decided on higher considerations than business interest. We have to decide which exports and which countries have to be favoured, apart from the general question of keeping our export trade alive. . . .

There is one other thing that I would like to say on the subject of prices which is vital not only to the whole conduct of the war but to the maintenance of the unity of the nation itself. Unless the nation as a whole feels that this business is being conducted on fair lines and that nobody is taking an unfair advantage of the national emergency, we shall weaken the unity which is our greatest strength to-day, and perhaps the greatest contrast between us and our opponents.

**COLONEL WEDGWOOD** We have had a Debate to-day on a matter of vital interest to this country not only as far as success in the war is concerned, but for our economic life. We have had a series of admirable and informative speeches. I wish that every one of those speeches had been listened to by the Cabinet. We have been debating now for nearly four hours on this really vital question and we have not had a Member of the Cabinet present. Where is the Prime Minister who is supposed to be leading this country where is the First Lord of the Admiralty who after all, is vitally interested in this matter and has had experience of the munitions office in the last war and where are these people who have decorative posts and no jobs—they are called posts without portfolios? Why are the country and this House being treated in this way by the War Cabinet on a vital issue? Here we are fighting for democracy and the House has been treated to-day with contempt. The speeches have been useful and even that Cabinet might have learned something from them. The fact we have learned is that we shall never get on with this war until we change this Cabinet and put in charge of the affairs of this country people who want to get something well done. The Minister himself read out at enormous speed so that nobody could follow him, the statement he had prepared for the Press and which might perfectly well have been circulated to this House as a White Paper so that he might then have spoken on the question in the Debate.

If I may touch on profiteering let me say that I believe there is no way of preventing profiteering particularly in a time of rising prices, no possible way and most of the suggestions for stopping profiteering would only result in an increased army of bureaucrats making the life of the manufacturers intolerable and adding enormously to the expenses of running the country. There is one way and one way only of stopping profiteering and that is by Government factories. We are still without the Government factories which we ought to have for the making of munitions, and which we had at the end of the last war. That way of stopping profiteering is the best. It gives you a standard, and prevents excessive prices being asked and the contracts being changed for continually further rising cost of the raw materials.



**MR E SMITH** I want to make clear that the criticism of hon Members on this side is bound to grow, because we are seriously disturbed by the complacent manner in which the Government have handled the situation up to the present.

Hon Members on this side and especially the working-class section of our party want to profit by their past experience. We want to avoid an episode of the kind which we passed through and for which we paid so dearly in 1914. We want the most efficient organisation.

It is because we are so proud of our people it is because we realise that if there is to be any future for humanity our people have to win this struggle, that we are concerned about the present situation and want the most efficient organisation so that we may secure the maximum results in the minimum time. The other night I was reading the War Memoirs of the right hon Gentleman the Member for Carnarvon Boroughs (Mr Lloyd George). When I came to those pages—pages which I wish every right hon and hon Member would re-read—in which the right hon Gentleman deals with the fiasco of the organisation of national service in the last war, I began to think of a good deal of the criticism that has been made during the past few years. I hope that we are not going to have a repetition of that fiasco. The right hon Gentleman the Member for Carnarvon Boroughs wrote in his book

‘We were at war and every hour counted. I remember the leisurely and even dawdling way in which the Coalition had been pieced together’.

As I watch some Members of the Cabinet and some of the Under-Secretaries the leisurely and dawdling way in which they are going about their duties and business, I am reminded of the remarks of the right hon Member for Carnarvon Boroughs.

**COLONEL LLEWELLIN** The Debate was started by the right hon Member for Wakefield (Mr Greenwood). I think his first complaint was that the organisation set up was too bureaucratic. I do not think that is the case. To the new organisation we are bringing in business men from outside people like engineer admirals and business men who I am sure would be the last people who would wish to be regarded as bureaucrats. We are bringing a fresh kind of business experience into the Ministry and are strengthening it by the selection of men of experience in industry.

The hon and learned Member for Montgomery (Mr C Davies) asked what was being done for the export trade and several other hon Members expressed anxiety that we should keep our export trade going. It is obviously important that we should do so, and in our letter to the steel controller there is a paragraph indicating that he is to give special consideration to supplies of

steel for firms whose goods are to be sold abroad. We want to keep our export trade going to the greatest extent that we can. In some cases, of course, such as that of machine tools, we cannot allow any to go abroad at the present moment but in cases where we do not want the goods for national needs manufacturers ought to go on making goods for the export trade realising themselves and telling their men that they are doing just as good war work by producing goods for the export trade as by making shells and things of that sort.

The hon. Member for Ipswich (Mr. Stokes) said that he hoped there would be a simplification of tendering and I can assure him that that is now going to be done. We shall continue to want value for money, of course, but we are going to simplify the process.

MR. STOKES: May I have an answer to my question with regard to the Bofors gun?

COLONEL LLEWELLIN: I have not got anybody here to advise me about the Bofors gun. I should like to discuss it with the hon. Member if he would like to discuss it with me but at the moment I am not in a position, as he will appreciate, to reply to a technical matter and a matter of controversy such as that.

MR. STOKES: It is not a matter of controversy at all and the Minister knows all about it and has been sitting here all day.

MR. BURGIN: I looked into the allegations to which the hon. Member referred and I had the manufacturer down to see me. He asked for time to make investigations before anything further took place and I am awaiting a communication from the manufacturer.

MR. STOKES: That is two months ago now.

MR. BURGIN: Yes, and I am still awaiting the communication from the manufacturer, who was not prepared to answer the allegations at the time.

MR. STOKES: May I suggest that at the next meeting I should be present, with the manufacturer?

COLONEL LLEWELLIN: I was about to refer to what my right hon. friend the Member for Sparkbrook (Mr. Amery) said. We have very much in mind to control—and we are making arrangements to do it—any purchases we may be able to make in Canada or elsewhere so that there is no competition. There will certainly be no inter-departmental competition and we are making suitable arrangements with the French also. With regard to buying from countries from which Germany can buy, that matter is also very present in the mind of the Government. The hon. Member for Stoke asked whether we were going to avoid a repetition of 1914–16. I can tell him straight away that that is the main endeavour of us all at the Ministry of Supply.

### (c) *The First War Budget*

*Inevitably there was a great deal to be said when on the 27th of September the Chancellor of the Exchequer introduced his Budget Resolutions which among other things raised the standard rate of income tax from 5s 6d to 7s increased the estates duty by 10 per cent revised the scales of the surtax placed an extra penny a pint on beer three halfpence an ounce on tobacco and a penny a pound on sugar, promised an excess profits tax of 60 per cent in the near future and spoke of the possibility of a post war levy on capital appreciation caused by the war*

THE CHANCELLOR OF THE EXCHEQUER (SIR JOHN SIMON) War makes inroads into our finances and consumes our resources in a way which far exceeds even the most elaborate and costly programme of Defence carried out in time of peace. Not only does it upset peace time estimates of what taxes will produce and completely alter the scales in which national effort and national sacrifice must be measured but a great war in which this country is engaged sets for us a special economic problem of immense urgency and gravity which I will try briefly to define. If this problem is not promptly faced if it is not boldly handled then our power to carry the war through to a victorious conclusion is very gravely weakened and the damage that may be done to our national life after the war is won may be irreparable. Finance as has been sometimes said, is the fourth arm of Defence no less important than the other three for if finance failed then the prop that sustains the whole of our war effort would collapse.

What we have to do therefore in this essential department of our national effort is to deal with the economic and financial problem of war in the way which will make the best use of our productive resources. There are two obvious ways both of which have to be examined. There is taxation and there is borrowing, and no doubt we shall have recourse to both. The Exchequer will need money on an unprecedented scale and to that vast need over the period of the war as a whole whatever that period may be, taxation will have to make its maximum contribution. But on the other hand, it is obviously impossible that the whole of our expenditure in a war like this should be provided from the proceeds of taxation, and the Committee will of course, have anticipated that it will be necessary to supplement that provision from revenue by National Defence loans on a large scale.

It follows—I am addressing the Committee but in a sense I am also addressing the outside public generally—that the payment of taxes even heavily increased taxes will not exhaust the duty of the private citizen. It will also be his duty to contribute to the greatest

extent possible to these loans when they are announced, and all the more so for this reason. Let us always remember, in all the efforts we have to make on the financial side of this war, that except in so far as war is financed either out of the proceeds of taxation or from the proceeds of loans which come from the genuine savings of the nation, it can only be financed by methods or out of sources which are essentially inflationary. That, all will agree, is a course which we must strive by all means in our power to avoid . . .

The economic problem of war has another aspect. War enormously expands the Government's demands on industry—enormously. The Government, therefore, must secure a corresponding reduction in civilian demands on industry. If it does not, then the Government and civilian demands compete against one another, jostle against one another for labour, equipment, material, freight space and everything else. It is quite true that under the stress and intensity of national effort industrial production can be increased, it must be increased, for example by the increased use of woman labour, and so other ways. But even after you have allowed for that you must set against it a further fact that war conditions take away from industry a material proportion of man power. Broadly speaking the situation that will arise, if prompt and adequate steps are not taken to meet it, is that the civilian demand, unless restricted, competing with an immensely increased Government demand, brings about a competitive scramble in which prices rise and the value of money falls. It follows therefore, I think, that it is the first duty of the Chancellor of the Exchequer to use the instrument for which he is specially responsible to help to curtail civilian demand and to make sure that civilian expenditure is directed as far as may be into proper channels.

Apart from Government demands for armaments and the like, there are two other branches of activity which in war time have a first call on our national resources. There is the need to increase the production of food from our own soil, and we must likewise throughout the war bend our energies to the uttermost to promote our export trade. The maintenance and extension of our export trade is as all hon. Members know, vital to the successful prosecution of the war in order that we may earn the means to purchase across the seas those essential materials and goods, including foodstuffs which we cannot produce or make ourselves. The Government intend to do all that they can, consistently with overriding war needs, to enable traders to fulfil export orders and to ensure that this country's export capacity is used to the best advantage.

It is inevitable as we all appreciate, that the cost of modern war, as expressed in money, should be fearfully high, but we must not

assume that, because the figures that we are facing are so enormous that is a proof that there has been prodigious squandering and waste. The truth is that the increasing complication and elaboration of machines of war and the mechanisation which accompanies the development of military force, while they greatly increase the power in defence as well as in attack of a military unit, also greatly increase its cost. . . . I have been looking at figures which show the effort needed to produce, for example, modern type aircraft as compared with that which was required for the production of those types that were being manufactured in the final months of the war of 1914-1918. . . . Modern types of aeroplanes are made of metal where they used to be largely made of wood, they are incomparably more complex in design, they demand a far greater range of intricate and costly equipment, and the horse-power per type has increased some hundreds per cent. A main result is that the effort, as represented by man-hours, to produce a modern type aeroplane may be as much as ten times greater than was needed to produce a similar type in 1918. Broadly speaking, a modern aircraft costs from three to seven times more than a comparable type in 1918, and, of course, maintenance and replacement costs have increased in proportion.

Similarly, in the case of the Navy, ships of comparable tonnage now cost two or three times as much as they did in 1914, while the maintenance of the much more complicated equipment has added greatly to the recurrent cost. As regards the Army, it is broadly true to say that a division in the field costs nearly twice as much to equip and maintain as a division in the later years of the last war. These considerations go a long way to explain the magnitude of the expenditure, but they also lead to the conclusion that it is more important than ever it was that we should get full value for our money, that all expenditure which is wasteful or unnecessary should be avoided, and that these principles should be applied not at the end of the war but at the beginning. I do not feel that I should be at all completing the discharge of my duty as Chancellor of the Exchequer if on this occasion I limited myself to proposing greatly increased burdens to be placed on my fellow-countrymen. It is equally my duty to call for the most determined efforts, alike in public and in private expenditure, to search out for means to avoid wasteful outlay. . . . Any spending which the private citizen finds himself in existing circumstances able to undertake should be undertaken with a deliberate regard to what is helpful to the community in time of war, and his outlay should not be in the form of luxury or extravagance.

MR. ATTLEE: . . . I agree with the Chancellor of the Exchequer that he is right in endeavouring to raise these large sums by taxation. There was not much enthusiasm for the raising of the Income Tax.

I think he is right to do it. He said that there were two great methods—taxation and borrowing. In essence they are part of the same process. They are in essence a method of deciding how you are going to utilise the resources of this country. The two really big questions which face us at this moment are the production of wealth in the form of goods and services and its distribution. By no possible procedure can we put off the paying for this war to some future occasion, or make some future generation pay by any amount of borrowing. This war like the last war will have to be paid for by the efforts of the men and women of this country at the present time. That is the point that lies behind the Budget statement.

Adverting to what the Chancellor of the Exchequer said in the closing half of his speech with regard to the need for economy and the avoidance of waste there is great waste in employing people improperly and there is even greater waste in not employing them at all. It is no use getting an economy in which you are going to throw people out of the jobs in which they are now unless you have jobs in which to put them. I emphasise that point, because I think the Chancellor of the Exchequer was a little short in regard to the real essentials of the situation. We have to consider the resources of this country. Our resources mainly depend upon our productive capacity and our capacity for rendering services. In addition we have valuable property in other countries which can be mobilised. I look at this Budget from the point of view as to how far it is going to effect an increase in our wealth and the best use of our wealth. A very heavy Income Tax and a very heavy Super tax undoubtedly effect some better distribution of our spending power by taking away from those who have a superfluity. On the other hand there are taxes imposed in this Budget that are going to take away from people who are not getting enough to-day and who thereby will be weakened. The real thing at the back of this Budget is to emphasise the need of a proper rationing system in this country and the proper utilisation of our resources so as to keep up the strength of our people and a proper organisation of the internal economy of the country so as to have a proper balance between what we need for supporting our Fighting Forces for obtaining our raw material and keeping the country going.

One word with regard to the levy on wealth. I welcome the suggestion of the taxation of war profits but the best thing is to have no war profits at all. I recognise that in this war there will be changes of fortunes due to one thing or another and I gather the suggestion is that there should be some kind of levy at the end of the war in which you would raise a levy from those whose capital wealth had increased during the war period. That makes a certain assumption. It assumes that there is more or less a just distribution of the wealth

of this country, which is not the case. My objection to a levy war wealth of one kind or another is that it directs the whole question to the need for a levy on the unequal fortunes of war profiteers, and ignores other profits which are being made. . . .

CAPTAIN HAMMERSLEY: . . . The financial objective of the Budget, as the Chancellor of the Exchequer has said, is to provide sufficient money to wage war successfully without leaving behind a crippling burden of debt for future generations. The Committee will remember that the last war was financed in this way: over 70 per cent. of the cost of that was carried forward to posterity. We imposed, as a result of the last war, a burden of very nearly £250,000,000 per annum on future generations, and that burden was intensified by subsequent deflation. The authority of certain sections of the community was enhanced by that burden, and the position of the producers was depreciated. The result was a weakening in certain trades, including agriculture, and it was of such a character that up to this time those trades have never recovered.

To those who would endeavour to finance this war on something like the same kind of lines as those on which the last war was financed, I want to make one or two comments. I wonder whether it is realised by what kind of process the loans were raised. The banks utilised War Loan to the extent of 80 per cent. of value as a collateral security. That means to say that any person who wanted to invest £100 in War Loan was able to do so by providing only £20 of his savings. The remaining £80 came from manufactured bank credit. The result of this creation of a tremendous volume of bank credit was inflation, and we are all concerned to avoid the spiral of rising prices followed by the spiral of rising wages. It is impossible to avoid that spiral if we have monetary inflation, and monetary inflation cannot be avoided if we have excessive borrowing. In fact, if the borrowing of the community exceeds the real savings and we rely upon the manufacture of bank credit in order to finance our war loan, we shall inevitably get inflation and we cannot stop the rise in prices.

There is another consideration. If we endeavour to finance this war as the last war was financed, by borrowing some 70 per cent. of the burden, what will be the condition of the country after the war? On a basis of three years, it is a gross under-estimate to say we shall require to borrow £10,000,000,000. From whom shall we borrow it? We shall be able to borrow it only from those people whom the banks consider to be credit-worthy. Already, as the Committee and the country well know, the proportion of rentiers in the community is as high, probably higher, than in any other country in the world, and we should, if we endeavoured to deal with war finance by a system of borrowing, end the war with our proportion of rentiers even greater, which would result in a burden on the producer which

in my opinion would be absolutely unbearable. The final result would be to create a feeling of social injustice which would end in a demand for repudiation. For these reasons as the Chancellor of the Exchequer has said—I agree with him entirely—it is necessary to finance this war by a far greater proportion of taxation and if we carry out this resolve we shall be able to finance it much less extravagantly than the war of 1914–18. We shall be able to control prices in the absence of monetary inflation and, expressed in terms of goods and services, the pound sterling will buy more.

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MR PETHICK LAWRENCE: The issues raised by this emergency Budget far transcend in importance those of ordinary times.

The key word is *re-adjustment*. The whole economic life of the nation has to be re-adjusted to new conditions and finance is the instrument through which this re-adjustment must be imposed. Let me for clarity put the matter into rough figures. Suppose the total income of the country is roundly about £5 000 000 000. Last year the expenditure of the State was a little over £1 000 000 000, or say one fifth of the total income of the country. This year the Chancellor of the Exchequer has forecast a State expenditure of some £2,000 000 000 or say two fifths of the income of the country. Who shall say that next year it may not reach £3 000 000 000 or say three fifths of the total income of the country? I am well aware that if idle capital and idle labour be re-employed apart from any question of a rise in prices, our income next year may increase from £5 000 000 000 to £6 000 000 000 but also it may well be that the expenditure of the State may surpass £3 000 000 000 and even if it does not we must contemplate at least half the whole national income being ordered by the State. Though the after-effects will be widely different, this re-adjustment in the national life will equally have to take place whether taxation or loans provide the major part of the money used by the State. It means the abandonment of superfluities and the sacrifice of many comforts by all the better off sections of the population. Those who look back to the last war to the years that went before and the times that came after will remember that the lives of the rich and the poor in the Army were to some extent assimilated and that all classes came to understand one another better. So in the present war there will have to be an approach to equality in the life of the civil population, a scaling down in the better-off classes and a scaling up in others. Evacuation has brought many people who were ignorant before to realise in an unpleasant but forcible way the dire poverty of some of their fellows throughout the country and this experience will not have been in vain if it compels a drastic change in our attitude to these matters.

In my opinion the right hon. Gentleman is right in deciding to start at once with heavy new taxation. He has imposed unprecedented



burdens for the current year and these will cause all households very seriously to ponder over their own personal budgets for the coming year. Yet we cannot disguise from ourselves the fact that even so the Chancellor is meeting only a very small fraction of the expenditure. After allowing for expected short falls of revenue to which he referred he is providing a net increase of only some £60 000 000 over his Budget estimate of April leaving several hundred additional millions to be borrowed. Unpalatable as it may be I am forced to the conclusion that the Chancellor's prospective taxation for 1940-41 of which he spoke yesterday cannot be his last word.

As to the division of the burden with one major and with a few minor exceptions I think the Chancellor has decided well. The new direct taxes are heavy but they are recognised in all sections of the Committee I believe as necessary. I shall say only one thing with regard to them and I could have wished that the Chancellor had said it himself. The rich part of the community will be compelled to make considerable changes in their way of life. One way to set about doing it is to dispense with the services of some of those whom they have already employed. I beg them not to rush into this course before it is absolutely necessary. After a while the rising demand of war economy will create fresh employment and if they will wait a little hardship will be largely averted.

very much—the method of borrowing and the rate of interest. I am glad to see that this morning the Bank Rate has fallen back from 4 per cent to 3 per cent but it is still 1 per cent above the rate at which it stood before the war. I say emphatically that it is still too high and that the sooner it goes back to the 2 per cent the better. I am one of those who think that whatever justification there was for putting it up in the first instance and I am inclined to believe that even for this purpose it is an outworn instrument and that far better modern equivalents are available there is no justification for keeping it at a higher level.

Even in the short time it has been raised there have been very dangerous results. Quite obviously it affected directly the Treasury Bill rate. There was I believe a rise of fully 3 per cent in the rate at which the bills were discounted. I do not need to remind the Chancellor though I would remind the Committee that every 1 per cent rise in the rate of Treasury Bills means an apparent or gross expenditure of some £10 000 000 a year to the Exchequer. And that sum is simply a present to certain banking houses for which they give practically no additional service.

This brings me to the wider question of how much the Chancellor will have to pay for his long term loans when the time comes to float them and the method of floating them. This is a matter of very great importance is perhaps even more important than the precise magnitude of the tax on itself and therefore I hope the Committee will give it very careful consideration.

There are several other questions of considerable importance which I propose to touch upon briefly. I am not very clear about the levy on capital. If I understand the Chancellor aright it is not to be imposed until after the war, and is only to be levied on increases in wealth during the war. I will only say that the levy on war increases in wealth does not in my view fill the bill and I am convinced that as the war progresses probably even next year the owners of land and other capital wealth ought to be called upon to pay a special annual contribution. Even if this does not produce much cash it will be an offset to the inevitable increase in Government debt.

MR GRAHAM WHITE. I would say at once that I could not agree more than I do with the right hon. Gentleman who has just spoken in his observations with regard to the question of interest rates.

This is a matter of some immediate consequence because as a matter of practical machinery of business it is important that the gilt-edged market on the Stock Exchange should be made to function as soon as possible. Many people will require funds—still more to-day than yesterday—in order to meet the requests of the Chan

cellor of the Exchequer. Many others require funds for the purpose of purchasing capital equipment and other objects of that kind. I hope that it will not be long before a definite policy will be announced which will let those who are concerned in these matters know exactly where they are. On the subject of interest rates it is inconceivable that the Chancellor should proceed to raise our war expenditure by offering continued and increased advantages to lenders because increases of that kind will result in an impossible burden at the end of the war and will make repudiation in some form or another inevitable.

I and my hon. Friends certainly approve in general the proposal of the Chancellor to raise as much as he can now by taxation. That, in the long run, will make the burden on the country easier and it will make it easier when the war is over to return to a normal method of life.

There are two proposals, however, which give rise to some misgivings in our minds. The first is the proposal to reduce the children's allowances. The survival of a nation depends on the number and quality of its children. This proposal has an impact on problems of population which are of a very serious character and we hope that some further consideration may be given to the proposal. Also we deprecate anything that is going to interfere with the opportunities for education and development of the age group 14 to 18. In the very short run such interference may prove disastrous to the country. The other proposal to which we take objection is one to which attention has been already called by the right hon. Gentleman above the Gangway—the Sugar Tax. This undoubtedly as the right hon. Gentleman said in effect if not in words is a cumulative blow on the very poorest section of the community. It falls on those whose incomes are measured in shillings and pence, those whose only reserves at the present time are the kindness and consideration of their friends and whose only banker is the public assistance committee—which is not always a very accommodating institution. In the case of old age pensioners it is clear that this tax can only have the effect of putting a further burden on local finance, the difficulties of which nobody wishes to see increased at the present time.

MR. WILMOT. In the construction of this Budget the Chancellor of the Exchequer has taken peculiar pains to load the heaviest weight of the new burden upon those least able to bear it, and to temper the weight of these burdens on those most able to bear them. In the circumstances in which we find ourselves there could be no more serious criticism of the structure of these proposals than that. An examination of the tables which the right hon. Gentleman was good enough to circulate with the White Paper

shows quite clearly that the largest proportionate increases come from the poorest classes of taxpayer. It is true to say that of these Income Tax increases the smaller the family income the larger the proportion of increase. That surely is a tremendous and unanswerable condemnation of the main features of the Budget.

I ask hon. Members to turn to the tables and they will find that the very hard pressed and poor taxpayer has to meet the largest proportion of increase. The increase on earned income is larger than the increase on unearned income. Surely nothing can justify that. If there is one kind of rich less desirable than another kind of rich in war time it is the idle unearning rich yet the Chancellor of the Exchequer has chosen to discriminate against the earner of wages and salaries in favour of the rentier and dividend drawing class.

Let us take the indefensible proposal that an extra burden shall be put upon the fathers of families. Why at this time should the right hon. Gentleman choose to revise the allowances for children in a downward direction the effect of which is to lay a smaller proportion of war tax upon the childless person than is laid upon the family?

I want to talk about the heavy taxation on the poor. At this time there is not a Member of this House who will question that the utmost productive capacity should be used for war purposes and that it is a crime against the national interest to divert any productive capacity for personal luxuries. If hon. Members agree with that view then they will agree that we should adjust our taxation having in mind not so much what is taken from the individual but what is left after the tax has been collected. This is not a punitive argument. Hon. Members opposite must not think that those of us who urge this kind of consideration do so because we enjoy punishing the rich. Not at all. We do it because we believe it is necessary to make the maximum effort to win the war and the maximum effort to win the war means the minimum expenditure upon personal luxury.

The quickest and easiest way to restrict expenditure upon personal luxury is to wipe out that margin of income which is spent upon personal luxuries. These taxation proposals will leave the very rich section of the community numerically small though it may be in the aggregate, wielding a colossal amount of purchasing power by the possession of incomes which they will continue to spend on luxury purposes.

SIR GEORGE SCHUSTER. I do not propose to follow the hon. Member for Kennington (Mr. J. Wilmot) in all his arguments but I should like to say at the outset as one who in other places has had to handle budgets and taxation that I sympathise with the Chancellor of the Exchequer in having a criticism based on per-

centages put before him. I have no doubt he will be able to deal with it adequately. From my own experience I can only say that if one was proposing to increase the man on a 1s. rate to 1s. 3d. and the man on a 5s. rate to 6s., one was always blamed for increasing the poor man's rate by 25 per cent., and the rich man's by only 20 per cent. But if, on the other hand, one were to come forward with a proposal to reduce the 6s. to 5s. and the 1s. 3d. to 1s. there would always be a perfect howl that 1s. is to come off the rich man and only 3d. off the poor man. In fact, of course, you can deal with percentages in any way you like. . . .

I turn from this to the chief question which we have to consider in recording our opinion on these proposals, namely, as I have already said, what will be their effect on the productive power of the country? We must recognise that if the Government are, at the very outset, taking these measures which have so direct and drastic an effect on curtailing activity in certain industries, that does throw a correspondingly greater responsibility on the Government to have a well-developed policy for mobilising the resources of the nation where it is necessary that they should be developed and drawn on. Therefore, the question we have to consider is not so much whether the Chancellor's proposals are right or wrong . . . but rather whether the other Government Departments are going to live up to their responsibilities and play their parts properly in the rôles which his plan casts for them. His plan will be wrong if they do not do that. It will not be his fault. It seems to me that a corollary to the line of policy which the Government are now adopting is that there must be proper planning and efficiency in the other Departments, and that is what concerns us. . . .

There is a very general feeling in the Committee and throughout the country which I would put in this way. Everyone is saying, "We must not make the mistakes we made in the last war, we must start adequate taxation earlier, we must control prices, and stop that inflationary chase of the cost of living and wages, and we must have no profiteering." All that is very wise and true, and I entirely agree with it; but let us be sure, if we are going to scrap the methods of the last war, that we have something better to put in their place. After all, we did win the last war, and by the end of the war we had mobilised a terrific effort, an effort which was the admiration and marvel of the rest of the world; and although we criticised our own financial methods, they were generally agreed in other countries to have been a performance on the whole of outstanding merit. All the time the wheels went round. Perhaps the motive power was to an undue degree that of private gain, but it did drive the machine and the masses of human beings were at work. . . . I think the approach of business men to their task in war is one

which at least in all the principal cases may be described as a desire to serve the national interest. I believe there is a tremendous desire to-day to co-operate in the national interest and not to consider profit making as the primary motive. But if we are to take advantage of that desire, if we are to mobilise that spirit of good will and patriotism it is necessary that we should have a proper plan and I think there is very great danger that, if we start thinking of nothing but control we may stop those wheels which it is essential for the country should be allowed to go round with increasing velocity.

What is going to drive the wheels? Who is to mobilise this national effort? What Department of the Government is responsible for it? Who is responsible in the Government for economic policy as a whole?

I want to refer at the end to two special points. I had intended to speak at some length on the question of the Bank Rate but the right hon. Gentleman will recognise that a good deal of the fire has been taken out of what I had to say by the reduction to 3 per cent to-day. I hope that is only an earnest of a further reduction. A good deal has been said to-day to the effect that it is bankers who profit by an increase in the Bank Rate. Speaking if I may as a director of one of the 'big five' banks I should like to tell the Committee and also the Chancellor that the policy of doubling that Bank Rate was not at all popular round our table and I would like to put it to him that in all sections of the City where I have been I have been unable to find anybody who could give me any convincing reason justifying the putting up of the Bank Rate and maintaining it at that high rate for so long.

The problem of prices will have to be met by drastic control. . . .

MR. STEPHEN: A distinguished financier on the other side of the House examined the position and quoted eminent authority to prove that the financing of the last war was not as bad as some people seemed to think. He said there had to be this profit motive to keep the wheels of industry going. In the last war you had a great voluntary response to the appeal for recruits, but the day came when the voluntary response was not sufficient and the State came and took the men away compulsorily. If this war goes on anything like the time the Government contemplates, the country will be faced with a demand for the conscription of wealth. When I pressed upon the Prime Minister the need of old age pensioners and the injustice being imposed on people conscripted for the Army, I was told that we practically had conscription of wealth, but I notice when I went outside the House that I had as big a chance of getting knocked down by an expensive car as was ever the case. It is different to-day. That is not due to conscription of wealth but to the limitation of petrol supply. I would appeal to the Government, when there is all this pressure being put upon them to secure economies in the Departments, to deal with the position of the old age pensioners, the spinsters and the people with small fixed incomes who, face to face with ever-increasing prices of commodities, are put in an impossible position. It is absolutely shameful that there is nothing in the Budget to give a word of hope to these people.

I can also see that, in spite of the collaboration between the Trades Union Congress and the Government and the assistance that hon. Members above the Gangway are willing to give to carrying on the war, the people in the workshops, faced with these rising prices, are going to demand big increases of wages, and there is going to be industrial strife throughout the whole of the country in the days lying ahead. Unless the Government are prepared to deal with the question of finance in the same way as they dealt with the question of securing recruits for the Army, unless they are going to put the person in ownership of property and wealth in the same position as they have put ordinary men under conscription, we shall have ever so many great problems to face. . . . It is only one of a number of fundamental changes which will be necessary and which will end ultimately in sweeping away the present system of robbery and extortion which has brought us into the war, the same robbery and extortion which has brought other countries into conflict with Britain.

SIR J. SIMON: . . . Down to 24th August last, the Bank Rate, the Committee will remember, in this country had remained for seven years at the exceedingly low figure of 2 per cent.

That was the rate at which the Bank of England had announced it was prepared to discount bills. As the Committee knows the putting up of the Bank Rate tends to limit borrowing, whether from joint stock banks or from other institutions. In other words the lending of money for the borrower to use in business for the support of all sorts of enterprise or whatever it may be is thereby restricted. Why was the Bank Rate raised to 4 per cent? It became a very important matter a month ago. The policy that was recommended at Ottawa often called the cheap money policy, was designed to deal with a world slump in commodity prices. The object was that by encouraging the supply of money at the cheapest possible rate and making it easy for people to borrow it and to use it world production would be stimulated, wholesale prices would rise and all those results would follow which I think make all of us in principle strong supporters of a cheap money policy.

What was the situation at the end of August? The situation which faced us then when the Bank Rate was for the time being raised from 2 to 4 per cent was not that of a world slump or any thing of that sort but a situation in which the clouds were gathering and we felt obliged to allow the sterling-dollar exchange to go free. Speculation in sterling became particularly attractive to those who go in for that sort of thing. But instead of encouraging conditions which might lead to an upward bound in prices it was necessary to demonstrate at once that we intended to keep a firm grip of the situation. There were already fears that prices would go rapidly up and those apprehensions in some degree were not unfounded. Those were the circumstances in which for the time being the Bank Rate was put up.



for useful purposes and stopping the useless or unsocial or dangerous use of these facilities. They therefore prevent borrowing for purposes which under the stringent conditions of war are not in the national interest. That was the position yesterday when I produced the Budget which will also have restraining effects on spending in certain directions.

I think I speak quite impartially when I say that the direct taxation which I had to propose yesterday and which was I think, received so well must inflict a terrible blow upon a great many homes, which may seem very comfortable and well appointed but which none the less are very often the centres of a great deal of public spirited and useful service and which incidentally help to give employment to great numbers of people. I think at a time like this we should do everything we can to understand the point of view of our fellow-citizens even though they may not be of our own particular and immediate experience. There is no doubt that the richer classes under this most drastic direct taxation will have to revise the scale of their lives in many cases materially and I would make this appeal to them and I hope it will be heard outside the walls of this House.

No doubt these proposals will in many ways reduce their scale of occupation of pleasure and of useful service but there is one thing which I hope people will not do. Do not let them begin to economise by dismissing their staffs. This is an awfully bad time to turn people off. We shall get to a point later on in the war no doubt when there will be a demand for all sorts of labour and when it may be easy to find places and to fit into them people who are at present part of the establishment of it may be a great estate or a large home in the country. I would suggest that as far as possible the last thing that should be done at this moment is to turn people adrift. I am sure that if we carry this thing through as we mean to carry it through together some of these difficulties will be removed and there will be a time later on when it will be much easier for many of these people to get employment than it is now.

#### (d) *The Prices of Goods Bill*

*During the early weeks of the war the outcry against profiteering steadily grew until on October 19th Mr. Oliver Stanley moved the second reading of the Prices of Goods Bill. By it the Board of Trade acting through local committees was given the power to fix the price of any goods it chose.*

THE PRESIDENT OF THE BOARD OF TRADE (MR. OLIVER STANLEY) Hon. Members will agree that the subject matter of this

Bill concerns one of the most important as well as one of the most difficult problems with which we shall have to deal in the economic field and most hon Members will realise I am sure that in seeking a solution of this problem we have to walk very delicately between the almost equally great dangers which lie on each side of our path. One danger, with which the Bill is designed to deal is of course very obvious and it is that of profiteering or making excessive and unreasonable profits out of the exigencies of the war. This word profiteering has for over 20 years now passed into our vocabulary with an unpleasant connotation. I need not remind hon Members that another definition of the term is the epithet racket. I will go no further than my right hon Friend the Home Secretary and say that it verges upon the unseemly.

all of us want to do—we may stop reasonable profit or all profits, or we may create a loss. The inevitable result would be a loss of production and an effect upon the consumer just as bad as the profiteering which you had set out to prevent. It is clear that when we set out to keep down prices we have to keep down unreasonable and unnecessary increases but it is impossible to divorce prices from cost. If we set out to keep down, or by mistake in our legislation we kept down prices while costs of production were rising, we should create a gap between prices and costs, and inevitably that would have a restrictive effect upon production. It is therefore essential that the Bill should be effective not only in stopping profiteering, but should be sufficiently flexible to allow for reasonable and justifiable increases in price during the currency of the emergency.

I would like to say a word upon the extent of this problem as it has shown itself during the past few weeks. Hon. Members will recollect that complaints of profiteering began very soon after the outbreak of the war. In the first instance, complaints that came to my notice were concerned mainly with small purchases of particular goods urgently required for war purposes, things like sandbags, black-out materials and torches; but the complaints about that kind of commodity soon began to spread, and to cover articles of a much wider range and greater importance in the ordinary life of the community. . . .

Up till now I think we have received something like 1,000 complaints, sent in from one source or another, and have attempted to investigate the causes of the increases of price about which the complaints had been made. It is only fair to say that as a result of that investigation we found only a minority—indeed, only a small minority—where no explanation whatever has been given and where there has been no attempt to justify the increases of price because of increases in costs; and where, therefore, it is justifiable to assume that there has been flagrant and undefended profiteering. In the large majority of cases, the increases of price have been consequent on increases in cost. There have been many cases, and I will refer to them later, where, although some increase of price might have been justified, the level of increase which was demanded was wholly unjustifiable, upon the figures supplied.

I think it is necessary that the general public should realise that in present circumstances it is perfectly possible to have an increase of price without any element of profiteering at all. There have been during the past few weeks a number of factors which, in reference to certain commodities, make a rise in price inevitable quite apart from any question of profit. The fall in the sterling exchange, the increase in freight rates due to war conditions and to delays of shipping, delays and hold-up in external transport, the cost of

A R P services falling upon particular productive industries war risks insurance—all these items are increases in costs which justify in many cases increases in prices without it being possible to level any charge of profiteering against the trader

There have of course been a number of articles where the prices have been much too big to be justified by the cost factors That has been particularly the case with regard to war risks insurance In many cases I think it has been due to a genuine misunderstanding

There are other cases where quite clearly even if that had not been fully understood the price charged could never have been justified In other cases I think the increase has been due not so much to a desire to profiteer as to a panicky feeling of uncertainty as to the future and a distrust of the course of prices in coming months and an attempt, perhaps, to over insure the future course of trade

With regard to those complaints I have had every co-operation from the main associations concerned They have done their best to discourage their members from increasing prices unduly I have also had discussions with associations representing various industries as to the course of prices in those industries There has I am glad to say, been a considerable result from these discussions and from the publicity which has been given to the subject in the Press On the subject of war risks insurance, as a result of communications which I have addressed to various associations and firms there have been a number of instances where an addition made to the price to meet this particular cost has been reduced by the people who have been complained about This movement was largely checked by the publicity which was given to it in the House and in the Press and above all I think, by the announcement, which obviously met with the approval of the whole House that measures of this kind were going to be taken to deal with abuses in the future I think that had the effect both of strengthening the majority of traders and manufacturers who do not wish to profiteer in this way, but who are put in a most unfair position by competitors who are adopting these measures At the same time it had the effect of frightening the minority who were prepared to take whatever advantage existing circumstances gave them It is essential that those salutary effects which have so far been achieved should not be relaxed and that we should proceed with this Bill and pass it into law and set up a machinery which I believe will be competent to deal with offences of this kind in the future

MR A V ALEXANDER It is interesting to some of us on this side to notice that now we have got to a national crisis of this kind Members representing the National Government find it necessary to consider the tendency of those engaged in capitalist

industry to charge undue prices whenever they get the chance. It was for that reason that the Labour Government both in 1930 and 1931 endeavoured to get permanent legislation upon the Statute Book to deal with such questions and which the hon. Member for Finsbury (Mr. Woods) endeavoured to get through this House with in the last 12 months on a number of occasions. In so far as this Bill seeks to deal with those who infringe the price of goods when regulated by the Board of Trade on the recommendation of the price regulation committee I do not think that in the structure of the Bill there is very much about which we can complain. If the Bill is simply put upon the Statute Book as a kind of moral deterrent and is not worked and administered effectively, then it will be of no use whatever and if it is left to people who have neither the capacity nor the experience in ferreting out the real facts about the increase of prices the Bill will not be effective. Therefore the first thing that the Opposition would say to the Government is that, if already on the experience of seven or eight weeks the President of the Board of Trade has found it necessary to introduce this Bill especially seeing the colour and interest they have so often represented before it is essential that the Government should themselves take the responsibility for seeing that the Act works and not leave it to sporadic efforts in local districts. They must see that this Central Control Committee works and that in every local area where a committee is set up there are people competent to advise it, and especially there should be a competent chairman in every instance.

I should like to come to what I think is much more important and which it is not at all clear yet that the Government have in mind. Quite apart from dealing with the small trading breaches of price regulation which they lay down have the Government any real plans for avoiding the larger mass profits of an undue character which are likely to arise in war time, apart from holding inquiries by this committee. Looking back upon the experience of the Great War while there were as has been the case in the last few weeks a large number of instances of petty profiteers making here and there profits which they ought not to make the real experience of organised labour and of organised consumers in the country was that the great fortunes about which the President of the Board of Trade spoke at the opening of his speech were made by the large interests and not by the small traders.

I hope that the President of the Board of Trade will consider that from the point of view of the record which exists I would ask him to get a little book published by a very Left Wing organisation called 'The Labour Research Department'. Perhaps I may just give one or two of the things I have in mind. You only need to

take some of the profits issued by incorporated companies and combines in the immediate post war period in order to obtain some understanding of what profits can be made in a large mass concern. The spinners' organisation in 1919 made a 100 per cent bonus issue and the great margarine firm of Van den Bergh issued a bonus in 1920 of 300 per cent.

The great wheat and milling concern of Messrs Rank of 1919 made a bonus share issue of 175 per cent. I could go on quoting [I have a whole lot of them here]. I ask the President of the Board of Trade to obtain this document. I should like to have it back again as it is part of my treasured records. It is therefore important in dealing with prices and goods to know what the policy of the Government is in relation to the general economy of the country and how they are going to deal with control. I feel confident that I shall carry not merely the Members of my party but the majority of the House with me when I say that it is very much better in a time of emergency like this to have your policy and your regulations in order to prevent both undue prices and undue profit. I am not at all persuaded yet by the production of this Bill that the Government have really made up their minds to deal with the question from that point of view. Let us take first of all the question of finance. If their financial policy is wrong if it is not having regard to due economy in the issue of national credit during the war then it will have a cumulative and spiral effect right through industry and prices and through prices to wages. Take for example the question of margins of profit. The President of the Board of Trade is going to enter into an inquiry of a kind of price regulation commodity by commodity. If you have margins fixed by the Government before hand which are not right then they will have their effect upon every part of the life of the community industrial commercial and social which will afterwards affect the spiral to which the right hon Gentleman referred in his speech. So far as I have been concerned with negotiations with Government Departments I am not persuaded that the Government are fully seized of that position.

What goods are to be regulated? We have not had the slightest indication of the goods the right hon Gentleman has in mind. He says it is not desirable to regulate luxuries. Very often there is difference of opinion as to what may be luxury articles or luxury goods. There may well be difference of opinion as to whether you should control all the stages of production by price as well as the actual control of the primary commodity. We ought to have far more guidance from the right hon Gentleman on that particular point than we have received in his speech to-day.

With regard to the Government's general policy I am sure that many of my older hon Friends on these benches will remember the

case with which we had to deal again and again as Labour Members during the Great War and that was the difficulty of getting wages to overtake prices. Finally there was the great fight led by Bob Smillie on behalf of the Miners Federation in regard to bread prices. Ultimately the only way in which the position could be met was by the prevention of a rise in price of bread by an actual subsidy of the commodity to the consumer. Therefore when we are talking about the price of goods and especially consumers goods I would ask whether the Government have considered the general question as to whether it is more economical in some circumstances of national emergency at a certain point to use *en masse* Government credit in order to prevent a rise in prices rather than allow them to go to the free play of what competition exists and then to have the continuous chasing of wages and prices one after the other. In the long run avoiding that cumulative effect it would prove to be economical in regard to certain commodities to use *en masse* Government credit to subsidise the article instead of having this vicious circle developing. I should like to know from the Government whether that question has received any consideration.

SIR GEORGE SCHUSTER. I welcome the Bill wholeheartedly. I regard it as a well designed and sensible Measure and speaking as one who has been representing a large trade organisation I would like to express appreciation of the way in which the Board of Trade has taken us into consultation in dealing with it. As gratitude is always a very lively sense of favours to come I was very glad to hear from my right hon. Friend that he proposes to continue that process of consultation particularly when it comes to considering the composition of the committees and the instructions which might be issued to such committees by the Board. I feel that it is perhaps worth making one point as regards the committees. I believe that one of the dangers to be guarded against is that they might develop into a sort of party organisation with consumers representatives on the one side and trading representatives on the other. I believe it is very important to get as much as possible completely impartial people on these committees—chartered accountants for example—who have a real knowledge of business and who understand costings and that kind of thing.

There is one other point of detail that I should like to put to my right hon. Friend. I understand that the goods which will be specified as price regulated goods will be goods of common use the price of which goes to make up the cost-of-living index. I suppose that normally speaking, my right hon. Friend is thinking in terms of finished goods such as overcoats or boots or articles of that kind but I want to ask whether the question of price regulation will follow the process of manufacture backwards to half finished

goods and raw materials because it will be very difficult to control the price of standard completed articles unless the control goes right back to the first stages

Having expressed that general commendation of this Measure

I want to turn to a wider issue. I must go on to say that the best friend of this Measure could not claim that as it stands it has more than a very limited scope. If we regard it as part of a general plan to control prices and to prevent an unnecessary rise in the cost of living then I think we should consider how that purpose ought to be fulfilled and what steps are necessary to supplement a Measure of this kind. We had yesterday a very interesting Debate on economic co-ordination and I think one may say that agreement was expressed in all quarters of the House that having regard to the task which is before us we now need what one could describe as a co-ordinated national effort to mobilise the whole resources of the nation. The plea was vigorously put from the benches opposite that that co-ordination must be complete and effective that there must be complete control and that, particularly as regards prices and profits there must be no repetition of what happened in the war of 1914-18.

Those are purposes with which we all agree but the point that I want to make is this. We can see in the world to-day practical examples of that sort of control put into operation. Things that many people said in the past were impossible have in fact been done in a practical way in both Russia and Germany. But I think we want to appreciate what that means.

It was estimated early in 1937 that no fewer than 500 000 whole-time employes were engaged in operating the system of control in Germany. There were six different authorities controlling the machine, controlling supplies of raw materials essential to each industry, what each should make and so on.

I want to put it to the House that that is the sort of thing which has been necessary in order to work a complete system of control and I do not believe that a system of that kind will be tolerated in this country. Granted that we must produce this co-ordinated national effort we have to produce a different technique and I believe that that technique will consist in co-operation between the Government and the organisations of private industry.

Before I conclude I should like to take up the point that was made by the right hon. Gentleman the Member for Hillsborough (Mr. Alexander) when he referred to the vast profits which have been made. It is important to point out to the House—for nothing is more important than that we should understand each other—that merely to make profits is not a sign of operating against the public interest. I would put it to my right hon. Friend that the man who can give good value and still make a profit is rendering a great



service to the community. I would say, for example, that a like Lord Nuffield has been a great public benefactor, and, in opposition to that, I would say that "public enemy No. 1" is the inefficient business man who, without giving good value, manages to carry on his business without a profit. . . .

MR. SILKIN: No Member of the House will complain of the speech of the President of the Board of Trade in introducing this Bill. He denounced profiteering in terms which no one on this side could improve upon. Early in the war he promised that he would introduce a Measure which would deal effectively and comprehensively with the evil of profiteering, and that was the reason he gave for not being ready with a Measure straight away. Looking at the Bill in the light of the sentiments expressed by him, I cannot help feeling a sense of disappointment at the limited scope of it. . . . In the first place, it does not deal with goods generally but only with such goods as the Board of Trade decide to regulate. . . . We have had from the right hon. Gentleman a general statement of the kind of goods it is his intention to regulate, but the House is giving him a blank cheque, and as my right hon. Friend the Member for Hillsborough (Mr. Alexander) said, it is a matter of opinion whether goods are necessities or luxuries. . . .

Further, it does not seem to be the intention to deal at once with all the articles which it is proposed to regulate. It looks as though the President of the Board of Trade proposed to wait until there was some evidence of profiteering. . . .

My second criticism of the Bill concerns the machinery. The right hon. Gentleman wishes the local price regulation committees to have as great powers as possible, and one of their duties will be to enforce the provisions of this Measure in their locality. As I understand the procedure, any member of the public who has a complaint will have to go first to the local committee—if he can discover where it meets, and in the multiplicity of committees that may be a matter of some difficulty. Then he may discover that his complaint relates to an article which is not regulated and in that case nothing can be done, and the seller of the goods is at liberty to profiteer. If the complaint relates to a regulated article, then it must be investigated by the committee, who will doubtless hear evidence and possibly inspect the books of the seller, and they may even interview the tradesman against whom the complaint is made.

After what may turn out to be a long procedure, if they are satisfied that there is a case for prosecution, they cannot themselves institute it. They have to report it to the Central Price Regulation Committee. This committee may go through exactly the same investigation. Unless they do so, they are merely accepting the decision of the local committee. At the end of it, if they are satisfied

that there is a case for prosecution, even that committee cannot order a prosecution, they have to refer it to the Board of Trade. The Board of Trade then investigate the case for themselves, they carry out a third investigation. If they are satisfied even then they are not required to institute a prosecution.

This machinery does not look to me to be the sort for dealing effectively, expeditiously and with certainty with profiteering. There are too many loopholes and too many opportunities for the profiteer to escape among the intricacies of the various investigations. If the Government are really serious in dealing with this problem, why do they not give the local committees power to order a prosecution if they are satisfied that the profiteering has taken place? Local committees would not be in a position to impose a penalty, they could only order the prosecution and the case then would go to the magistrates, who would decide, upon the evidence before them, whether the person complained against was really guilty. It seems to me that this complexity of machinery will seriously stand in the way of any effective prosecution of profiteering.

My last criticism is that the ordinary consumer who is, after all, most affected by the Bill, and for whose benefit it is being introduced, is given very little status in the Bill. For instance, he cannot apply under Clause 5 to the Board of Trade that they should specify a basic price. Only persons who are tradesmen can do that. The same applies to a permitted increase or a permitted price, these things are not open to the ordinary consumer. Under the Clause by which the Board of Trade may fix a price, there can be an appeal against an Order made by the Board of Trade. All sorts of persons have the right of appeal to the referee but not the general public and the consumer, who is the person most concerned. Moreover, if a complaint is made to the local price regulation committee and the committee declines to act, there is no effective remedy.

MR BARNES: Not all Members of the House will agree with the hon. Member for Walsall (Sir G. Schuster) in urging that these local committees should consist of accountants or professional people of that character. It appears to me that the expert and the accountant should very properly be called in in assessing the price or make up of the price structure of any commodities, but the local committees and the central committee should be composed not only of persons who have experience of industry, but also of a very wide range of consumers, including representatives of consumer organisations like the co-operative movement—and also of trade unions representing the workers in the industries concerned. If we are to have traders, employers, chartered accountants and persons of that kind represented, we should have an assurance that there will be not only

one consumer's representative and one trade union representative but a proper balance of interests

MR RHYS DAVIES      As far as I understand it this Measure is by its Title not an anti profiteering Bill but a Measure to control the prices of goods. Let it be understood that the consumers are not to have a say in the determination of the prices of any commodities. It is the traders manufacturers merchants wholesalers and the retailers who will determine prices. The right hon. Gentleman will therefore have to depend very largely upon the standard of honour among those people who are assisting him in fixing prices. That is the foundation of the Bill. Frankly knowing the multiplicity of items and transactions in the wholesale and retail trades it must be difficult for any Government Department to handle this complex business.

It seems to me that the main benefit of the Bill will be that several capitalists themselves will be able to check one another much more effectively than hitherto. The manufacturer the merchant the wholesaler and the retailer will be able to check as to the correct price they should charge for a commodity. That is all to the good unless of course they join together behind the scenes in a trust and destroy all that the right hon. Gentleman is trying to do.

## CHAPTER II

### GOVERNMENT HESITATION AND PARLIAMENTARY CRITICISM

*After the middle of October the Parliamentary atmosphere rapidly changed. By that time the Government had acquired the powers which it needed and was busy building up a war economy by administrative action. To the House of Commons however its progress seemed intolerably slow and the next eight months saw a series of debates in which they gave expression to their fears and discontents. Their arguments are best illustrated under separate headings.*

#### (a) Economic Co-ordination

*In a House in which repetition is common the complaint most frequently heard was that of the absence of any proper co-ordination of the national effort. On the one hand the Cabinet were accused of never seeing the economic problem as a whole. On the other, the various Departments were accused of creating chaos by perpetually getting in each other's way. As early as the 9th of October the Government tried to meet its critics by appointing a ministerial committee under the Chancellor of the Exchequer with Lord Stamp as its economic adviser and with the co-ordination of economic policy*

as its function. The demand of the House however was for a more impressive centralising agency with a specific Minister of its own in the War Cabinet. Twice that demand formed the subject matter of a major debate and the speeches made on the first of these occasions clearly reveal the points at issue. On the 18th of October after Mr Shinwell had made a critical and damaging review of the Government's economic activities in general the demand for co-ordination was forcibly put by Sir Archibald Sinclair.

**SIR ARCHIBALD SINCLAIR.** This Debate on the economic policy of His Majesty's Government cannot be without importance but it will fail in its object unless the Government use this opportunity for the enlightenment of harassed traders and industrialists and give us pledges of more effective action than they have hitherto announced. It is no use, even for an inveterate individualist like me to inveigh against controls in war time. It will not be long before an important industry without a control board will be a rarity. That is not in my view the best way to engage the spirit of invention and enterprise in the long term development of the economic resources of our own country and the Empire or to promote the freest possible exchange of goods and services between all the countries of the world for their common advantage. But those are not the objects we have to consider at the present time and control is the only way of concentrating and indeed—let us face it—not of developing but of using up like fuel the economic resources of our country and Empire in the vigorous prosecution of the war.

The mistake which it seems to me the Government are making in constituting these control boards is to man them almost entirely with men who are engaged in the industries concerned whereas the success of the Ministry of Munitions in the last war was largely due to this that they brought into these controls people outside the particular trades concerned such as those to whom the hon. Member for Seaham (Mr. Shinwell) referred in his speech—people who were uninhibited by the orthodox prejudices and conventions of their particular industry, people who were disinterested people with a wider vision than that of a particular industry however large it might be but people who relied on the help, knowledge and experience of those who were themselves engaged in those industries.

This particularism or departmentalism at the lower end of the scale is matched by lack of co-ordination among the several Departments at the other end of the scale resulting in the bewilderment of those who are carrying on the trade and industry of the country.

Hence the need of a new organ of study and decision which will co-ordinate the policies and demands of the Treasury, the Fighting

Services, the Ministry of Supply, the Ministry of Shipping, the Department of Overseas Trade, the Ministry of Economic Warfare, the Agricultural Departments of England, Wales, and Scotland, the Ministry of Food, and the Ministry of Labour; and make recommendations to the War Cabinet, through its chairman or president, who should be a Member of that Cabinet. This organ, to do its work properly, must be furnished with an efficient research staff to acquire and collate information and with a small governing body which would fix priorities, hand down decisions to the Departments, and prepare recommendations for the War Cabinet. . . . How far have the Government gone to meet these demands? Last week, the Prime Minister announced the decisions of the Cabinet, and he told us:

"In the case of economic and financial policy a Committee has been set up, under the chairmanship of the Chancellor of the Exchequer, composed of the Ministers concerned with the various aspects of the subject. The duty of this Committee is to keep under review and to co-ordinate the working of Departments in relation to the economic effort of the country as a whole."

The right hon. Gentleman went on to say:

"Lord Stamp has been asked to assist this Committee by becoming Adviser on Economic Co-ordination. Assisted by Mr. Henry Clay and Mr. H. D. Henderson, Lord Stamp had for some time prior to the outbreak of war been advising upon the economic war plans of the Government, giving guidance and assistance to the Departments concerned. In association with the Ministerial Committee to which I have just referred, he will continue to review our current economic plans and activities in order to propose to the Minister or Ministers concerned ways of filling any gaps that may be found to exist or remedies for any inconsistencies that may be discovered. There has also been set up under the Ministerial Committee an inter-Departmental Committee of officials composed of the permanent heads of the Departments concerned. Lord Stamp will be President of this official Committee."—[OFFICIAL REPORT, 9th October, 1939; cols. 28 and 29, Vol. 352.]

I venture to offer three criticisms of this arrangement. In the first place, here we are provided practically with three committees . . . instead of one integrated organ of study and decision.

Secondly, while nobody has a greater respect for the abilities of the Chancellor of the Exchequer than I have, I venture to suggest that he is the wrong chairman for this particular Cabinet committee. He must have and he ought to have a strong departmental bias in favour of cheeseparing economy and the encouragement of saving, so as to facilitate his loan operations. His proper function in our economic life is that of the brakesman, but the man who leads us in war on the economic front ought to have his hands free to reach either the brake or the accelerator. . . .

My third criticism is that it is absurd that the Chancellor of the Exchequer should be asked to perform these vital functions with the

part time and voluntary assistance—because that is what the Prime Minister has told us—of Lord Stamp Mr Clay and Mr Henderson. They are admirable men and I am sure the House would rejoice if we were told that they were able to place their whole-time services at the disposal of the Government for this purpose and that they would have adequate staffs. The appointment of Lord Stamp in particular is we would all agree an admirable one but how can he adequately serve both the London Midland and Scottish Railway and His Majesty's Government and incidentally a number of other organisations.

So my first request to His Majesty's Government is to think again about this organ for the study of economic problems for the acquisition of information for the co-ordination of departmental policies for fixing priorities and for taking decisions and making recommendations to the War Cabinet to appoint a Minister in the War Cabinet to take charge of this work a Minister not directly associated with any one of the Departments concerned, and to appoint a whole time chief economic adviser with an adequate staff.

The only other request I have to make to the Government this afternoon is to enlighten us on the main principles of their economic policy in war time. Do they accept the principle which was laid down by the hon. Member for Seaham that all available productive resources must be mobilised for the vigorous prosecution of the war? If so it follows that unemployment must not be tolerated. The hon. Member for Seaham said that the policy of the Government seemed to be business as usual and that that was not enough to cope with present needs. The policy of the Government seems to me to be unemployment as usual and that is worse still. Yet if these two principles—the mobilisation of our economic resources and the useful employment of men for that purpose—are accepted we must recognise that the tendency will be for money incomes to increase at a time when the effect of concentrating production upon war needs and upon export goods will be to reduce the supply of consumable goods at home with the result of an increase in the quantity of money relatively to the quantity of purchasable goods. We know that His Majesty's Government are proposing to step in here to modify the natural effects of those forces on prices by means of rationing, taxation and providing useful employment for surplus earnings in National Savings Certificates and Government loans. With such safeguards vigorously applied there is no reason why we should not and every reason why we should mobilise our productive resources to the fullest possible extent.

I would ask the Government to tell us what they consider principal objects of production in war time. It seems to me the supreme object must be the equipment on the most

but the decision has to be a practical one taken amid a series of claims which in the nature of things are very largely in conflict with one another. I am sure that the House will agree that that is the real nature of the problems of economic policy which are constantly arising in the war. The two points of view are backed by strong arguments and they need to be brought to a focus. They need co-ordination and decision after every point of view has been given its weight. That is really the nature of the problem with which we have to deal.

It is quite a mistake to say that this necessity was not completely realised and was not closely studied before the war broke out.

I turn at once to the comment—it is a very natural comment—that Lord Stamp, acting as adviser on economic co-ordination, is not giving his whole time to that service. I would ask the House to consider one or two further matters about it. Everybody has joined in bearing testimony—I am sure with great sincerity—to the exceptional authority of this eminent man in the field in which he is trying to serve. Service to the State in times like this should, I agree, come in front of everything else, and I am sure that Lord Stamp thinks so too, but I am not at all satisfied that the criticism is well founded which complains that one of our economist advisers retains actual contact with the practical business of the country. I speak with the most profound respect for the economists, whether inside or outside this House, and I pay all possible attention to what they say, but I must be allowed to observe that it is possible for professional and academic economists to give us the help which they do without any of them necessarily himself having close contact with the actual affairs of business.

Now I should like to state what is in fact the organisation and structure of the link which is co-ordinating economic policy. You may call it, if you like, a two-storey arrangement. On what I call the ground floor—a very important floor—you have an inter-departmental committee over which Lord Stamp presides. It includes the permanent heads of a large number of Departments.

It will meet constantly. It has its own agenda. Any of the parties can place on the agenda an essential and urgent matter. It is also supplied from time to time with a paper which does not deal with any immediate difficulty but is directed to looking ahead and considering how in the future some branch of economic policy can best be managed and controlled. Economic plans and activities by that means are brought to a focus. It considers remedies for inconsistencies which might arise, and will arise, in departmental action. I do not know whether you ought to call it an economic general staff or not. These phrases are sometimes calculated to mislead. But I look at the practical way in which it works.

We are getting all the time a series of immediate difficulties met and inconsistencies, if they arise, removed.

Why not leave it there? The answer is that in this country the responsibility of Government necessarily rests upon the shoulders of political Ministers. . . . Therefore, you must have what I call a second storey, and the second storey necessarily consists of the political heads of the Departments, constituting the Ministerial Committee. There again we get this essential connection, since Lord Stamp attends those meetings, and consequently the very things which have been examined by the official committee come up to the Ministerial committee in order to ensure that the political Ministers involved, who themselves have to keep these problems under review, have their views fully expressed and considered, and in order that agreement may be reached. That is, no doubt, largely due to the fact that the preliminary work has been done on the official committee over which Lord Stamp presides. That is what I mean by co-ordination, and it is very helpful towards developing our economic activities.

MR. CLEMENT DAVIES: . . . The Chancellor of the Exchequer has advanced the most excellent reasons why the suggestions which have been put forward by the right hon. Gentleman the Member for Caithness (Sir A. Sinclair). . . . should be adopted. . . .



I think that while in this House and in the country we are approaching something very near unity in our main policy, there is profound anxiety, both in the House and throughout the country, as to whether, particularly in all that concerns the organisation of our economic effort, we are really putting enough drive or enough executive competence into our work. I am very reluctant to touch on the personal side as distinct from questions of policy, but, of course, it is inherent in this subject. If we are considering how we are to co-ordinate, we must consider what is being co-ordinated and who are the people who are running whatever system we devise. What is wanted in the conduct of the war, above everything else, is executive drive, ability and energy. . . .

I do not wish to make any comment upon the individual Ministers in charge of the Departments, but I would like merely to suggest a comparison to the House. There are, I think, six Ministries which are vital to the proper organisation of our economic effort. They are the Treasury, the Ministry of Supply, the Board of Trade, the Ministry of Economic Warfare, the Ministry of Food, and the Ministry of Shipping. I will give to the House a list of six people who held office at the head of those six Ministries, or in the Ministries corresponding to them, in the last war. They were the right hon. Member for Carnarvon Boroughs (Mr. Lloyd George); the present First Lord of the Admiralty; Lord Ashfield, now chairman of the London Passenger Transport Board; Lord Cecil; Lord Rhondda; and Lord Maclay. Some of those Ministers had great Parliamentary gifts, and some had none; but every one of them was very notable indeed for executive drive and ability. Perhaps hon. Members have been making a silent comparison as I went through the list. . . .

In general, I would say that looking at the preparations of the Government which, now, and over the last few years, have been in some respects very elaborate and have been carried much further than the preparations made before the last war, or even in the first year of the last war—looking at them as a whole, I think we can, not unreasonably, criticise them from these three points of view. First, I feel that the administration has concentrated largely upon the merely desirable as against the essential. For example, I have felt for years that the Food Defence Plans Department of the Board of Trade, now absorbed into the Ministry of Food, was always concerned with preparing elaborately for the distribution of food in the country, while almost completely neglecting to secure that there was adequate food to distribute. . . .

In the second place one finds—and this illustrates exactly our problem of to-day—one Department after another piling up its own departmental margin of safety. As an hon. Member has said,

in the case of the air raid warnings and the black-out you had a Department properly concerned with securing safety for the civilian population but without any effective mechanism or governmental organisation to secure that in each of the more important measures, so far as they affected production there was a weighing of the advantage against the disadvantages involved. We may very well lose the war through piling up too many margins of safety. In general it seems to me that the Administration has been studying carefully the experience of the last war but in doing so has concentrated its attention upon the mistakes in the war effort of that time while failing to give equal attention to the equally important achievements of that effort. After all we did produce the goods. We did win the war. I sometimes wonder whether by very carefully and elaborately avoiding all the mistakes of the last war we may not this time achieve a different conclusion to it.

Its fears and suspicions are on two main grounds. First of all some of us feel that the Departments have been too strong on the negative side of their work and too weak on the positive side. They have shown great vigour in stopping certain activities but nothing like the same vigour in initiating or promoting new effort. . . .

The second weakness which has appeared has been the lack of co-ordination between the different Departments of State. The action taken on one sector of the economic front is completely different from that taken on another, and there is a total disregard of the importance of synchronising the action of the various authorities so that business enterprises do not close down until the need arises and until the opportunity has been created for the re-employment of the capital resources which were previously engaged in it. No one would deny that these criticisms are merited. Tens of thousands of men were thrown out of work in the early stages of the war, and to-day they are pathetically seeking something to do to enable them to get a living and to preserve their self-respect; and a feature of this new class of unemployment is that they are not insurable under the Unemployment Insurance Act. We are told by the Minister that this is a temporary period, and the Lord Privy Seal, in his rather jaunty broadcast speech, told us that before long there will be such a demand for labour that jobs will be seeking men rather than men seeking jobs—rather a pregnant observation from him. That is an optimistic estimate of how efficient our economic planning is likely to be, and I would like to accept it, but it is no explanation of why these men should have been unemployed long before the mechanism was brought into operation to take them back into employment or to transfer them into other spheres of employment. The first reactions of war are deflationary. What sense was there in the restriction of bank credit in order to reduce productive work, and what justification was there in the rise of the Bank Rate to 4 per cent.? Why has it not been reduced to 2 per cent.? Why has the Chancellor of the Exchequer put a crushing burden upon the taxpayer, on the one hand, and on the other wantonly and artificially raised the cost of the national borrowing which will cost him more than the total amount of this enormous deflation?

Many Members of this House look forward daily with pleasurable anticipation to Mr. Low's cartoons in the "Evening Standard." I wish he would give us a cartoon of a very rich man and his conscientious contortions in trying to fulfil at the same time all the solemn injunctions of the Chancellor of the Exchequer and the Lord Privy Seal. First, he is punctually to pay on 1st January, 1940, his Income Tax and Surtax up to 17s. in the £; secondly, he is to save enormously in order to contribute to the great new

war loan thirdly he is to spend in the shops in order to keep trade going and last of all he must not on any account do without the services of any of his dependents or employes If any man can do all this he is indeed a very able man He is not only a plutocrat he is an aerobat He is a kind of financial Blondin or Cinquevalli These things do not make sense There is no coherent policy The policies cancel each other out

### (b) Munitions

*Of the more specific economic problems the one that inevitably seemed most important to the Congress was that of supplying the Fighting Services with guns tanks ships aeroplanes and other equipment Unfortunately the undeniable necessity for secrecy made it a difficult subject to debate When each of the service estimates came before Parliament the question was raised but the House gave fullest expression to its fears on the vote of credit for the Ministry of Supply A sensation had been caused by stories of corruption and on the 15th of March Mr Herbert Morrison opened a Debate in which feelings ran high*

MR HERBERT MORRISON First of all I wish to deal with the general work of the Ministry and to put to the Minister *certain questions seeking information that we think the House and the country ought to have* When the Ministry was established it was confined to purchasing on behalf of the War Office and was little more than the purchasing branch of the War Office I should like to know whether there is any intention of extending its activities to cover the requirements of the Admiralty and the Air Ministry either in whole or in part

It would not be appropriate that I should mention specific things but if the Minister could give us some information on the progress of production saying how far any arrears that existed have been overtaken and how far supplies both for active military operations and for the equipment of the Army are coming forward satisfactorily we should be glad

In particular we should like to know the position as to machine tools jigs and gauges Before the war it was admittedly very unsatisfactory I am informed that as regards the main types of machine tools the position as to imports and exports between July 1935 and December 1938 was that we exported just under £10 000 000 worth of the main types of machine tools but that we imported over £15 500 000 worth and that a large proportion of the imports came from America and Germany Indeed of the total imports, over £8 500 000 worth came from America and £4 250 000 worth from Germany

contracts which are being placed by the Ministry of Supply. That is one objection to it. The second objection is that it is an incitement for these people to place orders if they can with unsuitable firms.

I have been told that most amazing inquiries through these intermediaries have been received from firms—inquiries for articles which it is perfectly obvious those firms did not do and are not likely to manufacture. The firm is told: Do not worry. You take the order, we can arrange for a sub-contractor who can do the job and you will get your profit. If that is so, it means that there must be a rake-off by the firm which does not do the work and by the firm which does the work.

I should like to ask the Minister what steps are taken to ensure that would-be suppliers applying for contracts and suppliers obtaining contracts are themselves firstly reputable concerns suitably equipped for the work involved and financially subject to such arrangements as may be made between them and the Ministry able to obtain the necessary materials and labour. I should like the Minister to say whether experience gained since the foundation of the Ministry has caused the introduction of a black list covering firms and individuals who have not complied with the first, if not all, of the requirements, whether the Ministry has a black list of undesirable contractors or undesirable intermediaries against whom the Ministry should be on its guard.

**THE MINISTER OF SUPPLY (MR. BURN)** The question of commissions to which the whole of the latter part of the speech of the right hon. Member was directed is by no means a simple one. It may be easy to point to what is reprehensible and objectionable in the work of a production Department called upon to fulfil the task of endeavouring to equip the Army and to some extent the nation for resisting an attack, but we must be quite clear that in pillorying objectionable practices we do not go too far in the other extreme and cut off from the Ministry many sources of supply which would otherwise be open to them.

In order that the question of commissions can be understood at all I would ask the House to allow me to state something of the size of what we are doing. Everybody who has had any experience in the open air knows that a very little jam will attract a good many wasps, and it is necessary for me to reveal something of the extent of the jam. It was on 1st August, five weeks before the war, that the Ministry effectively commenced operation. The business of the Ministry, as the House knows, was to equip the Army to supply articles of common use required by the other Fighting Services, to deal with the problem of raw materials, whether required for Government purposes, export or home trade, to deal with the problem of machine tools again for the Fighting Services.

and home trade to deal with inventions and to organise salvage both in France behind the theatre of military operations and in the home country and in addition to take part in organising and controlling the Purchasing Commissions in Canada and the United States. In addition to that chapter of activities the Ministry is also the home of the central administration for the important work of priority.

Commitments made since the outbreak of war that is from 3rd September, 1939 roughly six months already exceed £500 000 000 and at the present time commitments are being entered into and contracts are being placed for munitions and stores alone of something like £16 000 000 a week. Orders for an immensely miscellaneous collection of services and articles have been placed in this country and throughout the world factory constructions planned and the whole co-ordinated as wished by the general staff. An immense amount of production and an immense acceleration of delivery has involved trading on a very large scale.

It is against that background and in that sense of proportion of world happenings that I now would like to turn to the specific matters which have been raised by the right hon. Gentleman.

There is a great deal of misunderstanding within and without the House about the question of commissions and Government contracts. There is a great deal of confusion of thought on the part of the public a great many loose expressions in the Press and a tendency to confuse the perfectly legitimate established business practice of remunerating an agent by commission and the very criminal practice of offering or attempting to bribe a Government servant.

Speaking as a responsible Minister of the Crown and as the head of this great spending Department, I can tell the House with absolute sincerity that I have not seen a single case in which a specific allegation has been made that a servant of the Crown has been bribed or offered an improper advantage in connection with a Government contract. If such a case is brought to my notice and the charge after proper inquiry is proved justice will be done with the utmost rigour and at the utmost speed. It would be wrong however to allow disquiet to spread or public indignation which is easily kindled in time of war to be raised against an established business practice in itself legal and in itself in a wide variety of instances one of service to manufacturer and Government alike. What is absolutely unnecessary certainly in the case of the Ministry of Supply, is for any manufacturer to seek an intermediary's help for purposes of introduction.

The matter was raised in the Ministry in November and December last year when some cases came to light of persons representing

that they could secure contracts by the exertion of influence over members of the Ministry's staff. These matters were investigated to see whether there was any ground whatever for such a charge and in no case were we able to find a single instance in which there was ground for a prosecution with the slightest hope of success. It was decided that the best course was to bring all these practices into the light of day by means of Press notices and by public speeches.

I think the House will agree that we took steps in the Ministry to warn manufacturers against these undesirable intermediaries. Short of taking legislative action to make it an offence to obtain a commission there was nothing more that I could do. Early last month, however, I decided that this step was necessary. Owing to war conditions a very large proportion of the trade of this country is now carried on by and with Government Departments and that has attracted to Government business an equally large proportion of the people who live by their wits. The Government have decided that the time has come when the position of agents must be regularised and an end put to the atmosphere of suspicion engendered by the activities of unscrupulous individuals. Regulations under the Emergency Powers (Defence) Acts are now in draft and will I hope be approved before Easter.

The right hon. Gentleman asked me to make a general statement on the question of progress in the making up of deficiencies and shortages and on the rapidity of production. He particularly mentioned machine tools. The House will realise that there has not been sufficient time since the outbreak of war for a new factory completely planned to have come into effective production. Nobody will expect factories to be erected and in full production in six months. From all the orders placed in existing plants of course continuous deliveries are coming forward with reasonable satisfaction although there may be certain gaps here and there. No production officer in time of war avoids disappointments. The Siberian winter the difficulties with coal the holding back of raw material to allow transport of coal trains the difficulties of employees in some districts to get to their plants and influenza have all had some effect but the general progress of production with one or two exceptions is going forward satisfactorily.

There has been an immense expansion of the machine tool industry since the outbreak of war and a large number of schemes for machine tool making have been assisted by the withdrawal of men from the Army and by the provision of funds. We are buyers of machine tools from any country that has them to sell. We are buying and paying for large numbers of American machine tools of which we are getting effective delivery. We are simplifying a type of machine tool for a specific war purpose and we are getting an

increase in the number of machine tools on night shifts as well as on day shifts. We have a number of progress officers visiting 18 machine tool firms a week each with a view to ironing out difficulties within their own production schedules. Factories for the making of gauges are going up. Gauges are a difficulty and they necessarily must be. The House must know that gauges are one of the things which stand in the way of employing small firms too rapidly. It takes a complete set of gauges to make a complete set of shell whether the firm is making millions in a year or thousands in a week and it may be that economy in the use of gauges is necessary for aggregate production.

MR. HORABIN: To-day I should like to make what I consider to be some realistic comparisons between our effort and Germany's in the matter of supplies and in doing that I am concerned more with the next nine months than with the future because if we cannot hold the enemy at bay for the next nine months it is no good talking about what we shall be doing in 1941 or 1942. The essential comparison upon which the work and plans of the Ministry of Supply must be judged like those of all the Service Departments is the comparison between our striking power and that of the enemy. In the six and a half years before the outbreak of war Germany spent between £4 000 000 000 and £5 000 000 000 upon war preparations. In the same period France and England between them spent £1 700 000 000 and in spite of technical obsolescence which after all affects both sides and not alone Germany and in spite of the wastage of ammunition and equipment in the conquest of Poland against which of course must be set the stocks which were captured both in Poland and Czecho-Slovakia Germany before the war must have accumulated vast stocks of completed war material far in excess of those accumulated by France and ourselves.

What has happened since the outbreak of war? Have England and France caught up with those enormous preparations made by Nazi Germany? We have not. We have not even maintained our position. We have fallen further behind. Since the outbreak of war Germany has been increasing her striking power at the rate of more than £3 000 000 000 a year. This figure is arrived at after weighting the calculations for the difference in the cost of raw materials to Germany and ourselves and so on. We have been increasing our striking power at the rate of rather less than £1 600 000 000 a year and the French have certainly not been increasing their striking power at the rate of more than £1 000 000 000. During the last six months, therefore Germany has forged still further ahead. It is probably true that Germany has been eating into her stocks of raw materials but she has been converting them into far more valuable stocks of shells, guns, aircraft



and tanks and it will be many months at least nine months I should say before the shortage of raw materials will compel her to reduce her war production

On these comparisons I feel justified in saying that the present effort of the Ministry of Supply is wholly inadequate. It is wrong in scale because the comparisons have been made between what we have been doing in past years and have not consistently kept in mind the gigantic effort made by Nazi Germany. We have heard about the new machines which we have in industry but I do not think it is much use talking about those because Germany has those modern machines as well. We must not forget that Germany has almost completely re-equipped her industry twice since the last war. The first occasion was during the inflationary period and she has done it again since the Nazis came into power. One of the first things Hitler did was to allow German industrialists to set the whole cost of new industrial equipment against income tax in the year in which it was installed. The re-equipment of German industry has thus been carried out fairly completely within the last six and a half years and as a result of that the output per head in Germany is substantially higher than in this country.

Of course there is the question of unemployment. Germany, on the outbreak of war had exactly the same problem as we had. Unemployment rose in Germany to between 600 000 and 1 000 000 as a result of the organisational breakdown which occurred on the outbreak of war but in the middle of November Germany rectified this by the formation of a Supreme Economic Council and the unemployed then very quickly dropped it is said to rather less than 200 000 with fewer than 250 000 workers on short time. In January our unemployed still numbered 1 500 000 although our population is very little more than half that of Germany. I am aware of course that the organisation required to speed up our armament output to the vitally necessary scale to enable us to meet effectively the onslaught which is likely to be made upon us lies beyond the purview of the Minister of Supplies. It goes far deeper. It requires a Minister to control all our economic activities.

MR BUTCHER. We have listened with considerable interest to the speech of the hon. Member for North Cornwall (Mr Horabin) but I find myself unable to follow him into some of the gloomy avenues down which he endeavoured to lead us. I am afraid that he is the victim of German propaganda. The figures of German production are no more likely to be accurate as records of the past than Herr Hitler's pronouncements are as a forecast of things to come.

MISS WILKINSON. The thing I am concerned about is the prejudice of the Government which is being elevated to a

policy of assuming that we must keep going the smallest unit of capitalist organisation. The Minister said we must find orders for the small firms. Why? The important thing is to use material labour and machinery to the full but the best way of doing it is not to keep the small firms in being. The Government think it would be a great pity if they went bankrupt and were not there after the war. I do not want to see anybody bankrupted but it is thoroughly bad organisation from the national point of view to let precious machinery go to these small units. A great deal of sentimental nonsense is being talked about the small firms and although I know I shall have heaps of letters protesting about what I am saying it is time somebody had the courage to say something. The trouble with our Ministers is not that they refuse to listen to those who talk to them but that they listen to everybody at once with the result that they are spinning round like weather cocks instead of deciding on one policy ruthless or not, and sticking to it.

SIR PATRICK HANNON (Birmingham Mosley) Does the hon. Lady realise that thousands of small firms in this country are at present employed in various capacities on the production of munition work for the war and for various defence organisations and does she realise that if they were detached from their present operations thousands of people would be out of work? Does she seriously tell us that these small firms should have no more consideration or organisation?

MISS WILKINSON What I am trying to say is that this war is not a scheme of public works for providing employment for the unemployed but that this war has to be won. If this war is to be won we have to consider how to use our effective labour to the best advantage. It is not the best way to keep thousands of inefficient little businesses in being in order to provide employment in war time when we ought to be using every available man.

The Ministry of Supply has given certain contracts to certain firms which have been utterly unable to carry them out because of the lack of machinery or organisation. Firms then sub let the contracts and extra profits had to be earned with the result that there was general inefficiency all round. What I am objecting to is the Minister's assumption that any small firm however inefficient should get some kind of contract in order to keep it in being.

The third point I want to make is in regard to how this immense amount of labour and organisation is to be secured for production. I was horrified about a fortnight ago to learn that the Minister of Labour expected to receive the congratulations of the House because he had made arrangements through training schemes for 40 000 skilled and semi-skilled men to be trained in the course of one year. On that basis how are we going to get the key men who are not in

sufficient numbers at the present time? It seems to me that we are not thinking seriously enough on this question of the training and organisation of our people for the big job which this war is

**SIR P. HANNON** I think the House should appreciate the wonderful achievement of the Ministry of Supply. I have been in public life for a long time and I have seen a good deal of the progress of organisation in various branches of national life and in municipal and civic life. I think the verdict of history from the economic standpoint will be that the achievement of the Ministry of Supply since it undertook its present responsibilities will be that it is an economic record. We had the other day a conference in Birmingham at which the Minister of Supply was present. It was the first conference in which were brought together those responsible for the direction of industry and the heads of the trade unions. A council was established the object of which was to bring into closer contact all the elements concerned with the great constructive and progressive work of dealing with war supplies. The same process was followed in other great centres and the organisation thus established by the Minister of Supply is one of the most outstanding achievements in industrial organisation in modern times. I am not sure whether the hon. Member for Bridgeton (Mr. Maxton) would pay the same tribute to the Minister of Supply but I think that as a young student of the old science of political economy he will see in it a first step in advance in national administration.

From my own experience the work of the Minister has put new ginger into the production of this country.

Everyone in this House has the greatest respect for the right hon. Gentleman the Member for South Hackney (Mr. H. Morrison). His contributions to our Debates are always packed with thought and suggestive of careful consideration of the problems with which he is concerned. Nevertheless having examined the criticisms which he made this morning I think the House will agree that the reply of the Minister has made it perfectly clear that as regards efficiency, progressive productive effort and administration the affairs of this Department are being conducted on an honest and honourable basis and with regard for the interests of the taxpayers of this country and that as a result of to-day's Debate the Ministry of Supply has vindicated its position.

### (c) Food

*Next to that of armaments the problem which caused the greatest concern was that of food. On the 8th of November the Government was attacked for the muddle in food distribution and for the delay in introducing rationing. In February its policy of keeping down the*

*prices of essential foodstuffs by means of subsidies was accepted with the comment that it was primarily the Government's own mistakes that had made such a subsidy necessary. But from whatever point the Debate started, it inevitably finished upon the problem of supply and, particularly, upon the problem of home production. The first major Debate upon agriculture as such came on the 25th of January when Mr Wilfrid Roberts raised the question of animal feeding stuffs.*

**MR WILFRID ROBERTS** Of the enormous number of problems which are facing food producers at the present time, I want to concentrate on the question of the supply and distribution of imported feeding stuffs. We are told that the difficulty is that the shipping space is needed for other and perhaps even more important imports.

There is a really serious threat to the production of bacon, eggs, milk and other products upon which we depend at the present time, and it is not an over statement to say that many producers of food are facing absolute ruin. We raise this question, not only on behalf of those people, but because also ultimately and at not such a very distant date not only will the producers themselves be affected, but the consumers will be finding that their eggs and bacon are not there, and that a real scarcity of some of the products on which they have depended will have developed. It is bound to mean that the cost of living will rise. We are told that much of the effort of the Government has been directed to preventing the beginning of that vicious spiral of inflation which took place in the last war though, in passing, I might point out that the rise in the cost of food in the first months of the war has not been less than the average rise in the cost of food during the last war, and that the efforts of the Government in that direction have not been too successful so far. We do hope that that rise will be stabilised at something like the point which it has now reached.

I wish to refer briefly to the history of what has happened to the animal feeding stuffs since the beginning of the war, and to tell hon. Members that the position in regard to supplies when war broke out was not at all satisfactory. The trade had been informed that supplies would be pooled and for that reason, and also because there were and still are ample supplies of maize and other cheap feeding stuffs in the world, and that if there were not a war, prices were likely to fall—for those reasons there were not very large supplies of animal feeding stuffs in the hands of the ordinary trade at the beginning of this war.

By the middle of November the position had become acute, and I as a private Member, was well aware of the fact and raised the Question in the Debate on the Address.

I press upon the Government that they should make a frank and full statement of the position. We are told that the position is better now, and that is admirable, but confidence has been badly shaken by the gloss which was put on the position only a few months ago, and I ask whether it will be only temporarily better or whether sufficient supplies are on the way really to improve the position fundamentally. . . .

There is a very widespread feeling that the actual distribution of the feeding-stuffs in the country is not being done as efficiently or as fairly as it might be, that there is far too much in the hands of some of the big provender merchants and millers. . . .

Then there are great inequalities in distribution as between one farmer and another. We do not know officially what machinery of distribution has been set up. It has all been done by Order, and one has no complete picture of the machinery. The distribution among individual farmers is uneven. Instances have been brought to my notice in which farmers have been offered enormous quantities of feeding-stuffs, and the suggestion has been made that perhaps a premium above the maximum prices fixed was paid by some farmers. . . .

It is all very well for the Minister to produce a Maximum Prices Order when the farmer does not know what it is that he is getting in his mixture. Nobody but an expert can possibly tell whether the Maximum Prices Order is being carried out or not. . . . There is a widespread feeling that the Maximum Prices Order is not being adhered to. . . .

I suggest that the position is so serious that a real effort ought to be made to eliminate waste. There is some luxury use of animal feeding-stuffs—it may not be very great—but I am not sure that we can afford to feed hunters on oats, or that we can afford to allow people to put anything they like into dog-biscuits for their dogs. I am not sure that we can afford to continue brewing beer of the same quality. If the brewers and distillers got 60 per cent. of what they had been getting before, it would free 300,000 tons of barley which could be turned into bacon or some other necessity. That brings me back to my first point that the waste food-stuffs from households and towns should be collected in a really energetic way. I believe that is a matter for the Ministry of Supply, and whether that Ministry have put as much energy into the collection of this waste as they should have done I am very doubtful. . . .

I ask the Government to be really frank and practical about the position in regard to animal feeding-stuffs. If the policy of the Minister of Agriculture is successful in respect of ploughing up—I hope that the wet weather in the autumn and the hard frosts now will not delay things much longer and will allow most farmers to

get their ploughs working—I believe that the position will be greatly eased. If you now tell us that the feeding-stuffs position is bad, you will get farmers to plough up far more readily. They are not ploughing up readily at the present time. They are approaching the matter from a sense of duty, as something which has been laid upon them by the Government and as their patriotic duty to plough up precisely the acreage scheduled by their county committees. They are not going into it with much enthusiasm. If you had told us that the position was worse last autumn than you admitted there would have been more hurry to plough up. . . .

MR. LAMBERT: The agricultural community are indebted to the Opposition Liberal party for bringing this question before the House and the country. It is one of the most important matters in our rural economy to-day. Something tragic and catastrophic is happening among the pig and poultry farmers. . . . The situation is that the poultry producer on a large scale has had to kill off a very large number of his chicks and that the pig producer has not only had to stop breeding but has had to kill off many of the young sows. . . .

There are 1,000,000 more pigs in the country now than in 1914, double the amount of poultry and about 1,000,000 more cattle. We have developed those industries almost entirely on imported feeding-stuffs. . . . I, among others, have been urging Government after Government to increase the arable cultivation in this country and the amount of feeding-stuffs produced here. It is because of the neglect of that advice that the situation to-day has arisen. There is not the smallest doubt about that. It has been the craziest policy, after the lessons which we had in the period 1914-1918. . . .

MR. T. WILLIAMS: . . . I do not know how many times in history a war has been necessary to prove the real value of agriculture in this country, but it is certain that between 1914 and 1918 agriculture did come into its own for a short time. It is equally certain that during the course of this war we are now appreciating to the full the true importance of agriculture in our national economy. The Minister of Agriculture is making frantic efforts to get more land under the plough; he is exhorting one-and-a-half to two million allotment holders to take up their spades; he is telling us that all those with back gardens should be cultivating them, and he and the Minister of Food and the rest are demanding that we increase our herds of livestock in this country, while at the same time, due to the absence of appropriate quantities of feeding-stuffs, poultry keepers and pig keepers are killing off their stocks, and the right hon. Gentleman is improving a central slaughter-house scheme. He is making an unholy mess at the beginning, whatever the ultimate result may be, simply because of the lack

of foresight on the part of the present and past Governments over quite a long period of time

It is a question of pre war chickens coming home to roost. Like so many rats we have been nibbling at this agricultural programme for many years. We have had a regular welter of legislation and although it may be that some little good has resulted here and there I submit that the position in which we find ourselves at this moment—because the real fundamental problem of agriculture still remains—arises from the fact that the Government have never fully made up their minds exactly what part agriculture will play in the life of this country

I was reading Lord Beaverbrook's article in one of his papers last Sunday. He has found a very easy solution. He told us in a very long article that all we need do is to turn over 4 000 000 more acres of land or put 4 000 000 more acres under the plough that we must increase our livestock, must eat less butter bacon and meat and hey presto everything will be all right. I prefer perhaps the more modest policy of the right hon and gallant Gentleman which on paper seems to be very good indeed. He asks the farmers of England and Wales to turn over within 12 months 1 500 000 acres or 10 to the United Kingdom approximately 2,000 000 acres, and he tells everybody who has the opportunity to dig for victory. The machinery on paper seems to be excellent but I very much doubt whether the machinery in operation is promoting the confidence requisite to carry out and fulfil the anticipations of the right hon and gallant Gentleman

We know that before the war began the chairmen of the county war agricultural executives had been actually nominated and they automatically came into existence as chairmen. The county war agricultural executives each consist of seven persons. There are a series of sub-committees and there must be one member of each sub-committee on the county war executive. There is also a series of district committees operating in the rural areas. I realise that the right hon and gallant Gentleman must delegate a good deal of this programme if anything is to be done at all but what has happened in fact is this—and this is why I suggest there is an absence of confidence in the fulfilment of the programme by the right hon and gallant Gentleman. We have approximately 370 000 farmers and 600 000 agricultural labourers but the county war executive committees are nearly always made up of six Conservative Members and one labourer who may or may not be a member of the Conservative party. That leaves the situation thus that we have the same mentality dealing with the war problem and it does not engender the maximum confidence

There are other reasons why one doubts whether we are making

the progress that some of us feel ought to be made. Farmers have fairly long memories. They know something of what happened in the last war. I would say to the Minister of Agriculture and to the Minister of Food that they are doing the right thing in not attempting to force prices up to a dizzy point, thus creating super optimism, which would bring disaster for the farmers when hostilities cease. The farmers however, want some guarantee, and they will not become active and energetic until they know more. The Government can give such guarantees only when they have made up their minds about a long term policy, not only for the duration but for as long after as is necessary for war conditions to settle down into peace conditions without the serious dislocation that took place last time.

That almost involves them in calling for credit facilities. The banker who is willing to give agricultural credit when required if agriculture is made a gilt-edged security is of no use at all. We know the banker who says in a broad Yorkshire accent "If the Government will give the rate of interest we demand and the period we demand we shall lend as much money as the farmers want." But the Government ought to devise ways and means of providing suitable, adequate credit facilities for farmers to enable them to carry out this big task which has been imposed upon them.

We are beginning to suspect that within the general machinery of the Ministry of Food the same unfortunate conditions are obtaining as obtained when the county war executive committees were appointed. If oil or fats are under consideration you may be sure that nine out of ten of the controls belong to Lever Brothers, and if meat is under consideration, you may be certain that Vestey's are not very far beyond the door. We do not want to see vested interests either crippling or sabotaging the right hon. and gallant Gentleman's scheme, and I hope that he is going to pay due attention in future to any further appointments and avoid the colossal scandals that occurred during the last war.

I am pleased to find that the right hon. and gallant Gentleman the Minister of Agriculture has at long last realised that there is need for land drainage in this country. He cannot get his 2,000,000 acres turned into productive land unless and until a good deal of drainage work is carried out. In 1927, I remember that a Commission told us that there were 3,750,000 acres that were dead for want of cultivation. It has taken a war to make the Government appreciate that fact, and whatever they do now, I hope it will be done not upon a negligible scale but upon a big scale, and if the catchment boards neglect their obvious duty, I hope that the right hon. and gallant Gentleman will not hesitate to take powers from this House . . .



We have lost 260 000 or 270 000 skilled agricultural labourers since 1921. We have seen many more taken into the Air Force during the last few months. I am not sure whether the Government are not at fault in allowing more skilled agricultural labourers to be diverted from their normal occupation when food is of such vital importance at this moment. There are the schedules of reserved occupations and the right hon. and gallant Gentleman ought to emphasise the needs of agriculture to all the Service Departments if he is to accomplish anything like the programme which he has set himself. In any case if you keep taking away the young men from rural life the time is not far distant when all the agricultural labourers who are left upon the land will be old age pensioners.

I want to see the Government make up their mind upon just what they want. The control, partial control, decontrol, succession of Orders, amendment of Orders and re-amendment of Orders leave everybody dizzy and nobody knows where he is. I hope that they will make up their mind finally as to what they desire and what are fair conditions in which to produce what they require and then I am convinced that all sections of the community will respond to their call.

**THE CHANCELLOR OF THE DUCHY OF LANCASTER**  
(MR. W. S. MORRISON) I intervene in this agricultural discussion with the object of trying, if I can, to assist the House by saying a few words upon what was perhaps the main topic of the speech of the hon. Member who opened the discussion, namely the position with regard to imported feeding stuffs for livestock. That is a commodity which my Department is responsible for importing and having distributed to the merchants who finally dispose of it under controlled prices to their customers. I am sure that though the Debate upon which we are now engaged deals with but one aspect and a very important one of our national food problems in time of war the House would like to regard this particular part of the problem against the background of the whole question of food in war time so that we may see the due importance of each particular factor in the problem. The task which confronts any Government in war time in this island of ours is to secure an ample supply of food for the 45 000 000 people who inhabit the island. To that end agricultural policy at home and the policy with regard to the importation of food from abroad must work together having regard to that supreme object.

The question of importing feeding stuffs for livestock is a part of the cereal problem as a whole and in order to appreciate the magnitude of the problem it is perhaps sufficient for me to say that cereals account for about half the total shipping required by the

Ministry of Food . . . As the House knows, the Government accumulated in peace time a large reserve of cereals in the form of wheat. The question has been raised whether we were wise to concentrate upon wheat, and whether or not a part of the reserve ought to have been in other grains. That is a matter upon which opinions may differ but I will give the reasons which made the Government at that time concentrate upon wheat. The first one was the obvious reason that on the supply of wheat depends the bread supply of the people. In the second place, it is true of wheat, as it is true of no other grain, that it contributes both to the nourishment of human beings and to animals. At the present extraction of flour, a percentage of the product of wheat goes as offals to feed animals. There are other technical reasons with which I will not weary the House but it is true to say that no other grain such as barley, and particularly maize—and it is more true of maize than it is of barley—keeps as well as wheat.

In order properly to store any grain you have not only to store it, but to turn it over, and the problems connected with turning over wheat so as to ensure that it is always fresh and fit for consumption are much less serious and severe than they are in the case of these other grains. The main reason for that is that the demand for wheat is constant throughout the year for bread and you can always withdraw it from your store and place it upon the market with the full knowledge that you will get rid of it. In the case of feeding-grains where there is a more fluctuating demand at different seasons, that is not so possible. For these reasons wheat was the sole cereal stored.

now I am glad to be able to tell the House that a considerable improvement has taken place in the position since then and this month supplies were raised first of all to 40 per cent and then to 50 per cent of normal requirements. In the case of imported offals they were raised to 66 per cent. Looking at the situation as it is now it is even more encouraging and it was possible on 23rd January to increase supplies for February all round to 66 per cent of normal requirements.

The Ministry of Food is buying all these major imported feeding stuffs. In each port there is a Port Area Grain and Feeding Stuff's Committee which acts as the Ministry's agents. The hon. Member for Don Valley advocated if I understood him aright, that there should be a complete rationing scheme down to the farm. On the surface it is an attractive suggestion. There are however great difficulties in regard to it, and in the absence of a rationing scheme we are bound to secure as equal a distribution as we can. A fixed percentage of the normal imports received is released to each C.I.F. buyer according to what is available and he is instructed to pass on the same percentage to each country merchant and provender miller with whom he customarily deals. That means that there is a form of rationing down to the merchant, but the final stage of passing on feeding stuffs from the merchant to the farmer rests on the good will of the merchant. In all these large organisations one always hears of things that go wrong rather than things that go right but from inquiries I have made I feel justified in expressing to the House my opinion that on the whole the merchants placed in this position have dealt fairly with their customers and clients.

MR LLOYD GEORGE. I want to talk rather about the general food position. The last war apart from the aid of America was decided by food shortage. When it was decided that food supplies should come first there was a gigantic drive in December 1916 too late for the winter sowing. But in spite of that we were able to add very considerably to our supplies by the tremendous drive in which the whole Cabinet was involved. That is one of the things I want to say. It should not be left to this or that Minister. It is the job of the Cabinet. It is the job of the head of the Cabinet, because the fate of this country depends upon it. No Minister can do the things which the two right hon. Members opposite will have to do unless they are conscious that they have behind them the whole of the influence and prestige of the Cabinet, and if necessary the whole compulsory powers vested in the Cabinet as a whole. Compulsory powers which no House of Commons has ever refused in war time when the Government have asked for them. Germany collapsed for lack of food. We survived largely

through the food programme which converted 3,250,000 acres of grassland into arable land. At the end of that period we had the greatest harvest—it was a bad harvest from the point of view of weather—in this country for 60 years. The wheat crop alone was greater by 65 per cent than the pre war average for 20 years, oats 38.5 per cent higher and potatoes 59 per cent higher. That was done by a real drive with the whole of the Cabinet behind it . . .

Let us examine what is the position as far as this war is concerned. I shall quote an authority which, I think, on the whole, is impartial in its estimate of the prospects and probabilities. There appeared in a Sunday newspaper, I believe the "Sunday Dispatch," a very remarkable article written by Signor Gayda. It was an article of great value on the prospects of the war, and it is because it bears upon the subject of this Debate that I shall read it. Signor Gayda has special authority from the fact that there is no doubt he is in Signor Mussolini's intimate confidence, and it may be taken that his views represent, on the whole, the Duce's opinion as to the probabilities in this great struggle.

He dismisses great military operations: he rules out a war of movement, he says that both sides will hesitate before they go into resolute assaults on great defensive lines, and he goes beyond that, and says that, in his judgment, Germany has no desire to attack in the West. I am giving his opinion, not my own. It is interesting that he also rules out the dreadfulness of air warfare on the civilian population. He thinks it is so horrible that all the belligerents—of course, he is in the position of a neutral—will shrink from it. Therefore, he rules that out as an element in the war. He comes to the conclusion that the two democracies in substance expect victory by the implacable and static siege of the whole of Germany. In his view—to use his words—that will take a very long time, and he thinks it will take a longer time than the Prime Minister expects. He says that Germany has accumulated vast stores, and that she has done gigantic things in making herself economically independent. He does not discuss at all any prospect of Germany's securing any supplies from any other country, and although he certainly does not rule out that in the end we shall exhaust Germany, he says that the Italian view is a little uncertain.

I think that, as far as the length of time is concerned, we ought at any rate, even if we make a mistake, to make it on the right side, and rather under-estimate our prospects of securing an early victory. I think every Department in the Government ought to organise our resources in every particular on the assumption that it is going to be a very long struggle.

I should like to know—perhaps the Minister of Agriculture cannot give a full answer to-night but he cannot defend his Bill in the House adequately without telling us—what he has in his mind with regard to increasing our food supplies in this country. What is the position? This is not the time to enter into recriminations but several of us have been repeatedly warning the Government about the danger of going into a war with our arable acreage down 2,500 000 acres as compared with 1914 the number of agricultural workers down by 250 000 and what is almost worse I think our grasslands neglected to such an extent that there are millions of acres that have lost their fertility are cluttered up with weeds, or waterlogged. This was going on before our eyes. The first effort to deal with it was the proposal put forward by the Minister of Agriculture for 200 000 acres a year to be converted from grassland into arable land—200 000 acres a year at a cost of £500 000!

It would have taken 12 years to get back to the position in which we were in 1914 because meanwhile 2 500 000 acres of arable land had been turned not to grass but a great deal of it has become derelict. That then is the position.

The position is worse than it was in 1914. Two and half million acres have gone there has been a steady deterioration in the grass lands the number of agricultural labourers is down by 250 000 but I think the most serious element is the decline in our shipping capacity. If you take out of the figures those great monsters of the sea that have been built with Government subsidies and if you take out the enormous increase which there has been in oil tonnage because of our consumption of oil having gone up enormously since the last war the carrying capacity of our ships for ordinary merchandise foods materials is down by 6 000 000 tons. Eight million tons of our shipping were sunk in the last war. You start now 6 000 000 tons down.

I am putting that as an argument for special exertions—greater exertions than we made in the last war—to make ourselves a self contained community. You cannot do it altogether. You certainly cannot do it in the middle of a war. But I speak with some knowledge of what the soil is capable of producing and of what can be done even with poor soil as the Minister of Agriculture knows by intense cultivation. Much can be done and it has to be done. It is no use carrying Acts of Parliament unless they are driven through ruthlessly after they have been passed. You must not be intimidated by vested interests. I had no end of difficulty about that even with Ministers. But why should we not do this? Why should we not cut up our land—even park land? Every scrap of land ought to be conscripted and enrolled

in our armies. We say we are fighting for freedom. So we are and there is not a single spadeful of available soil which ought not to be mobilised in the struggle. There must be no privileged land. If the Minister has the strength to stake his existence upon that it will not be as easy to sacrifice him as it was to sacrifice our friend below the Gangway. The food of the people will be involved and they are beginning to realise that fact.

**SIR E. RUGGLES BRICE.** I am bound to say that I agree largely with the view that the financial and commercial interests have or had too often combined successfully so that home production should not be encouraged in order that there might be an increasing importation of sea-borne foodstuffs. Agriculture I believe will make a great response even though it has to enter upon its task with crippled resources. The plea that I would make is that agriculture should be given a square deal. If it is to be called upon in time of emergency for the great efforts which the nation asks from it then surely it is not too much to ask that it shall have fair play in time of peace.

**MR. R. C. MORRISON.** I do not propose to criticise any party for anything they may have done in regard to agriculture. I have listened to many speeches on agriculture in the House and this is the first time I have ventured to express an opinion on the subject. I do so with all humility because I have no practical knowledge of farming. I have not even a theoretical knowledge and I have no farmers in my constituency, no farms or farm labourers and not even a cow. I hope to convince hon. Members that even the townsman can make some contribution to this issue and that the constituency which I represent has made a considerable contribution.

When the appeal went forth for more food, one of the things that occurred to us in our district which is an industrial part of North London was to consider whether anything could be done with the amount of food that is wasted. The first thing we decided to do before proceeding to collect the waste food and sell it as pig food was to have some pigs of our own in order that we might try it on them to see whether it was all right. We approached the dustmen and asked them whether they would like to form a pig club. They did so and on 6th November 42 pigs arrived in our district. Some of our inhabitants had probably never before in their lives seen a pig. The dustmen had been busy in their spare time building piggeries on modern hygienic lines, they are well built places erected to plans which came to us from the proper quarters. The pigs were happily installed and the pig club was formed. The dustmen proceeded to give notice to their friends, hotel-keepers, shopkeepers and people who ran cafes and restaurants to save their bits and pieces and give them to the dustman when

he called in the ordinary way in order that they could try out this experiment on the pigs. In the first month we not only collected enough waste food to feed the 42 pigs but we collected from 10 to 12 tons surplus. If we had followed the line of people who pretend to be wiser than us we should have buried it. Instead we sold it for 35s a ton.

We have been inundated with requests for food. Farmers are writing from within 100 miles of our district asking us to let them have some of this surplus food. It consists of waste bread, remains of dinner, potato peelings and other refuse. I will give hon. Members who know a great deal more about agriculture than I shall ever know an example of what has been done which will show them more than anything that I can say what the farmers and pig breeders think of this kind of food for pigs.

A week last Friday we received an urgent letter from a farmer asking for a truck load of food. It came from a farmer who said he had nearly 2,000 pigs and could not get food for them anywhere. We asked the railway company if they could let us have a truck in which to send the food because the farm was 60 miles away but the railway company could not do it. Then we asked some of the dustmen if they would volunteer to take a lorry load of the food to the farm on Sunday. They agreed and away they went arriving there about half past twelve. What I am going to say now is what a dustman told me. He said, "We got there and the bloke on the farm came out and said, 'What have you got?' I said,

"Pig food, guv'nor." He said, "Well, take it out and let me have a look at it." When we turned it out tears almost came into his eyes, he was so overjoyed. He gave the dustmen a ten shilling note each and asked them to stay to dinner before sending them back, and to-day we have received another order from him for five tons of food for his pigs.

I see our own pigs every other day and they seem to be prospering remarkably. I know nothing about pig keeping, but they are putting on weight and while it is early days to dogmatise upon this experiment I have a shrewd suspicion that the kind of food on which we are feeding the pigs is perhaps better for pigs of four months old and upwards than for very young pigs.

In our district we do not pretend to know anything about pigs and therefore at every stage we have asked the advice of people who do know and one piece of advice we are following very rigidly is to see that all the waste food collected by the dustmen is boiled for an hour. Having had this early success and finding that our own pigs are doing well we are pushing ahead. Farmers are applying to us for our product and we could sell five times the quantity we do. We think we are doing useful work and we find

too that it is a paying proposition. It used to cost us 6s a ton to destroy this stuff and now we are selling it for 35s a ton. Therefore we do not pretend to be philanthropists or ultra patriots; we are engaged in a sound business proposition.

I apologise to the House for having dwelt so long upon this matter but may I venture in this my maiden agricultural speech to say something about another phase of the matter that interests me profoundly? As I say I do not know anything about agriculture but I know that 10 000 000 tons of refuse are collected annually in this country by the local authorities. Out of it 1 500 000 tons are put through a screening plant by the local authorities and produce a material which we call screened dust, not dust altogether, because it goes through a three-quarter inch mesh. After having done so it results in approximately three-quarters of a ton of screened refuse. The bulk of this material is at the present time, being dumped by local authorities at a price of round about 2s or 3s a ton. In some boroughs where they send their refuse some distance I believe it is costing the borough engineers about 6s a ton to get rid of it.

We have held the view that there is value in this material that we call screened refuse. We heard stories from Scotland that some of the more successful farmers used it for a time with great success. We were anxious to experiment further so we have supplied one of the most successful farmers in Essex with 2 000 tons of this refuse since the war broke out. I took the opportunity of spending an hour on his farm this morning. I found that this man who is not a philanthropist but a highly successful farmer whose line is likely to be followed by a good many other farmers in his neighbourhood was highly satisfied with the material which we are giving him free of charge. He pays the carriage and we are glad to give it to him free of charge because it was costing us 3s a ton to get rid of it. He is putting the material on very heavy land at the rate of 40 tons per acre. His opinion which I give for what it is worth is that it is very valuable indeed particularly for breaking up heavy ground. He also thought that it had a considerable fertilising value.

I want to ask the right hon. and gallant Gentleman a question on this matter. I know that it necessitates making experiments but could he short-circuit some of the experiments at present being made by his Department in order to give some guidance to us on this matter which is of the very greatest importance? I can tell him that in the winter time in one borough alone the one for which I am speaking to night we produce 300 tons per week of this material and that it goes through a 1½-inch mesh. If the Minister would tell us something about the fertilising value of this material and



whether we and all local authorities are to be encouraged to go ahead with screened dust we should be very grateful. . . .

MR. VERNON BARTLETT: . . . The more the nation depends upon the farmer and less upon imports for its food, the more important it is to see that the farm labourer is properly paid. Somehow we have to stop this drift from the village to the city. I wish the Minister of Agriculture could, within the next week or two, give really encouraging assurances about the question of wages. The wages of the agricultural labourer, I think everybody will agree, are one of the prices that have lagged terribly behind costs. One would like to know that the Minister of Agriculture will use all his influence to speed up the appointment of a central wages board. I am told that there are 47 wages committees with 47 rates of wages. Surely, that is absurd at a time when it is more important than ever before to co-ordinate the national effort to get the maximum production. If the Minister could tackle that problem by fixing a minimum wage, it would be very much easier to persuade the nation to accept a price level for farmers which would give the farmers a fair and honest return for their labour. Incidentally, he would become one of the most popular men in the country if he had the energy and courage to push through that reform, which must come sooner or later. I do not think that there is any time to lose in these matters. Delay or incompetence in agriculture is just as dangerous from a national point of view as delay or incompetence in the case of any of the three fighting Services. . . .

MR. JACKSON: . . . The main thing which I want to raise to-night is, What preparation is the Minister of Agriculture making for labour on the land, for the tremendous increase of labour which will be required at harvest time next autumn? Let me quote the figures showing the position of my own county. Over the years 1925 to 1939 the number of farm workers has decreased in Hertfordshire from 8,759 in 1925 to 6,492 in 1939, a 26 per cent. decrease in 14 years. That is, I believe, general over the greater part of the country. Yet the new arable acreage which we are asked to provide is 5,000 acres more than it was at the time when we employed those 2,200 more men. Of course, it will be quite impossible to gather in the harvest in those conditions, and I want to know what preparations the Minister has made for it. At the present moment there is no particular body which is responsible for the future supply of farm labourers, except in part the Employment Exchange, and there is a disinclination to use this organisation. . . .

The Employment Exchange, in my opinion, is not a suitable place to deal with highly specialised labour like that of a farm worker at a time like this, particularly when they have alternative skilled work which they can offer to men who come there at much higher

wages I think that a separate scheme should be drawn up to deal with the recruitment of farm workers and that the working out of such a scheme should be handed over to a committee which would work in conjunction with the Agricultural War Executive Committee. It should represent all branches of the industry and of course should have equal representation from workers' organisations. This committee should have the power to recruit and train youths and men for agricultural work and a grant should be given by the Government to carry them over the training period after which I am certain there would be no difficulty at all in finding them work. The same committee could make arrangements for casual and seasonal workers such as hop pickers and fruit pickers and I also think that it would be a good thing to place the Women's Land Army under the same organisation.

I would also like the Government to raise the wage of the farm worker so that it compares favourably with the wages in other occupations. This I am certain would bring back many men who have left the land and also encourage recruits. I have tried to make practical proposals but if these suggestions do not find favour I beg the Minister to tackle the question of labour at once. It would make many farmers more happy in their work if they knew that there was to be no shortage of labour at harvest time. I have had many farmers ask me whether it is a wise thing to plant sugar beet for the future and I have advised them to carry on. I hope I have not given them wrong advice. I think an immediate halt ought to be called to taking any man off the land until we are certain that we can replace him. Unless this is done our planting policy will be a fiasco when the autumn arrives.

**SIR PERCY HURD** Looking at matters as far as I can apart from any party considerations I think my right hon. and gallant Friend is obtaining a substantial measure of success. The ploughing up policy is proving even more successful than some of us dared to hope it would be.

**SIR R. DORMAN-SMITH** I am very grateful to the Liberal party for having raised this question of agriculture. I think a most useful purpose has been served by discussing the doubts and hardships which undoubtedly have come to many people engaged in the production of food. But in the main the Debate has been not so much about the production from our own soil as the real difficulty of maintaining supplies of imported feeding-stuffs in this time of war and in this time when on the seas the war is very real. I was very glad that the right hon. Gentleman the Member for Carnarvon (Mr. Lloyd George) said quite a lot about the importance of the effort which the farmers are making to overcome our present difficulties in the shortest possible time that nature

will allow—an effort which I believe to be as vital in the conduct of the war as it is in itself magnificent

The hon. Member for Doo Valley (Mr. T. Williams) had a go at the executive committees and tried to make out that there was some political bias in connection with their appointment. I can give him this assurance that politics have never entered into this question.

The hon. Member for the Don Valley also raised the vexed question of credit. The House will agree that the policy of the Government in war time should be to provide a guaranteed market at a reasonable price for the goods which farmers produce. If we can get these conditions and I think we can, then farmers should be in a position to pay the ordinary rates of credit like ordinary traders. It is my belief that that is a sound policy to follow because I believe we should avoid thinking that subsidised credit would in fact perform a really useful service to farmers. What the farmers want, what I want and what the Government are aiming to do is to have a policy which will enable the farmers to stand on their own feet and not have to have subsidies either for credit or anything else.

But there will still be some farmers who I know will not be able to finance their expansion and although I cannot mention it in detail because it comes in the Bill, the Second Reading of which I hope to obtain next week or the week after, I hope to be able to bring forward a scheme which will in fact enable the county committees to deal with that particular type of case and enable them to give the necessary help to those people who cannot get money from other sources. As far as the banks are concerned, all I want to say is that I have been sufficiently in touch with the banks during recent months to be satisfied that it is not only their wish but their intention to co-operate to the best of their ability in this food production campaign.

The hon. Member spoke about the need for giving guaranteed prices and giving some guarantees for the future to the farmers. We are and we have been since the war began trying to arrive at a level of prices which is giving confidence to the industry and we have also tried to give the proper indication that as far as the Government are concerned their policy is going to be based on taking those steps which will enable us, if there is to be a transition after the war, to have that transition come about slowly and not with the suddenness which hit the industry after the last war. But as for giving guaranteed prices for a long time or any guarantees beyond the war, I am not sure that is in the power either of the Government or the House of Commons to give these.

I would like to congratulate the hon. Member for North Totten-

ham (Mr R C Morrison) on his very interesting speech, and to assure him that the immediate assistance for which he asks from the Ministry will be sent to Tottenham to give such advice as we can.

I trust that other local authorities will take courage from the work which is being done at Tottenham and will follow suit in the quickest possible time. That is the kind of initiative which we want from the boroughs and the urban authorities because we do want both town and country to make their contributions.

*In February a Government Bill was passed to raise cereal prices improve agricultural credit facilities and stimulate drainage but the House still remained dissatisfied and on the 13th of March another general debate was opened by Mr T Williams*

MR T WILLIAMS (Don Valley) As a result of Ministerial speeches, broadcasts and articles the question of food supplies has been lifted at long last to the position of a first-class subject. It has been a sort of poor relation for many years but at last as the Lord Privy Seal said yesterday it is coming into its own again. The Minister of Agriculture has issued an appeal and in order to emphasise the importance of food production has actually turned himself into a film star while the Lord Privy Seal almost becomes poetic every time he makes a reference to agriculture these days. The Prime Minister who is more prosaic, as usual, warns, cajoles and promises but unfortunately it is our opinion that despite all this there is no real enthusiasm for the ploughing up campaign. We are not at all satisfied with the policy which has been and is being pursued by the Government in view of the importance of this question.

I am sure the Minister of Agriculture will not deny that the farmers are sullen and resentful not only at being let down in the past but at the missed opportunities of the past 20 years. They are not at all certain about this apparently sudden conversion on the part of the Government. We have had quite recently the feeding stuffs, meat and seed muddles with an infantile credit scheme and we have seen vested interests at every corner while there has been a Government tendency towards landlords which has militated against the success of the Minister's appeal. The Prime Minister's general contribution to the food situation was a speech made to the chairmen of the County Agricultural Executive Committees a short time ago. He guaranteed that when harvest time comes along labour will be provided from some source but he did not explain from what source. He guaranteed a reasonable return and decent wages but he did not say how and he also said that if he or the present Government were in office at the conclusion of the war farmers would not be let down as they were after the last war. I

was rather interested to read that what the Prime Minister wants is a well balanced solidly established agriculture whatever that may mean but he did not explain just what well balanced and solidly established agriculture really meant

The right hon Gentleman the Lord Privy Seal spoke recently from Nottingham and I enjoyed every word of the speech he made particularly his agricultural references so much so that I almost expected to see him march into the House to-day in gaiters His speech has been described as monumental packed with good intentions and high sounding principles I thought that was rather an unkind reference to him but on closer examination of what he said and a little reflection on some of his observations I came to the conclusion that that description was after all not so bad This is part of what he said

We must grow more food at home and make fuller use of the natural resources which the Almighty has bestowed on this island

That is a recent discovery of the right hon Gentleman He went on to say

That is good husbandry and sound economy We shall get better food fresher food more nourishing and healthier food for ourselves and our children

That is another modern discovery He also said

We can hope to emerge from this war sounder better off and wealthier than before we went into it

He went so far as to say that if what he desired was fulfilled we should have changed the face of rural England I entirely agree with that after 20 years neglect by the Conservative and National Governments but I think the right hon Gentleman would be the first to admit that if we are to change the face of rural England it will require capital and a lot of it as well and a maximum of confidence

For years we on these benches have pleaded for a real credit scheme The Minister on 25th January said in the House that what we wanted was to make industry prosperous so that it could provide ordinary rates of interest through normal channels

I would put it in another way and say that the Government have always resisted a really comprehensive credit scheme because they are afraid of the banks merchants and middlemen We are at war and peace-time vested interests ought not to stand in the way at this moment What about this ploughing up campaign?

One of the drawbacks to the success of this campaign is the excessive tenderness of the Government towards landowners in this country I know that where an agricultural executive committee have power they issue a certificate to allow a tenant to override the agreement between himself and the landowner but that is

ardly sufficient. Where a farmer desires to plough up more land than the actual quota, the county executive will not grant a certificate if the landlord objects, and there is no appeal against that. The tenant is in a hopeless position for if he dared to turn over more land than the landlord desired, and for which no certificate had been granted, he stands subject to a heavy fine or compensation demanded by the landlord.

There is another thing which is militating against the ploughing up campaign. There is a scarcity of seeds. I know that the right hon. Gentleman has told us from time to time that there are plenty of seeds and that all that is required is for the farmer to give his order to-day or to-morrow, that once the merchant knows what the orders are there is an ample supply for all. My information for what it is worth, is that the position so far as seeds are concerned is chaotic. Farmers are declaring that it is no use ploughing up land unless there is a guarantee of seeds, and in any case where seeds can be obtained the price has gone up.

There is the question of feeding-stuffs. It has been placed on record in this House that the shortage of feeding-stuffs since the commencement of the war has been infinitely more destructive of our food supplies than the U boat campaign. The hon. Member for Doncaster (Mr. J. Morgan) a few weeks ago said that we were 500,000 pigs less, 500,000 sheep less and 1,000,000 poultry less than before the war, and I do not think his statement was an exaggeration.

I do not want to say too much about cereal control, but let me say this—I hope the Minister of Food will take note of it. At the head of every cereal control in this country the right hon. Gentleman or those acting on his behalf has established the highest figure in some vested interest and the farmer and the consumer to-day get very secondary consideration. Unless these controls are to be examined and their work carefully gone over, unless some confidence is restored to farmers, this campaign is not going to be a success.

There is another thing that is militating against the success of the ploughing up campaign. As the right hon. Gentleman knows, there is a very grave shortage of labour, and that shortage is due to two or three reasons—low wages, inadequate cottages and the lack of amenities. Perhaps there may be other reasons. Unless Ministers are prepared to do something not only with regard to wages but with regard to cottages and amenities in rural areas, they will simply not be able to retain in the countryside the men, their wives and families who are living in broken-down cottages with no social amenities and receiving wages of 34s, 35s, 36s or 37s a week.

I have only one other matter to raise with regard to agriculture and that is drainage. The catchment boards are made up very largely of ratepayers' representatives and therefore their action or inaction is largely determined by the Treasury grant. If a large grant is available a scheme may be undertaken and large areas of land may be adequately drained but if there is no real response from the Treasury the catchment board representatives remember that their ratepayers are already heavily burdened and nothing happens. It is fair to say that many parts of the country are not adequately drained because the Treasury have not responded as nobly as they should have done. The Drainage Act of 1937 was permissive. The Drainage Act that was passed this year was permissive. Unless there is driving force from the centre and adequate financial inducements to catchment boards to get on with the work lack of drainage will still keep thousands of acres out of cultivation.

MR LLOYD GEORGE: I agree with my hon. Friend the Member for Don Valley (Mr. T. Williams) that all is not well with the food production campaign and I shall endeavour to point out two or three reasons why it is not achieving. I will not say the purpose which the Government have in mind but the purpose which they ought to have in mind in a great war like this.

The first reason is one which was indicated by my hon. Friend that there is no confidence behind the scheme such as it is. The failure of the Government to redeem their promises with regard to feeding stuffs is bound to have a bad effect upon the readiness and the confidence of the farmers in carrying on a programme of this kind. There were two promises from the Government. The first was a very sweeping one that there would be an abundant supply of feeding stuffs. The farmers believed this unfortunately for themselves and the result is that they have been let down very badly, let down so badly that some of them are on the brink of bankruptcy. The second promise was given in the House in a discussion in which I took part and it was that there would be 60 per cent. of the pre-war feeding stuffs forthcoming until the end of March. That has been a complete failure.

The second reason why it is not going well is that it does not seem to me that the Government have made up their minds what it is that they are after—what their policy is and what they are aiming at. They do not realise, in my judgment, even now the vital importance of increased food production on an unprecedented scale as an essential part of winning this war. They have not got it into their minds and therefore they have no clear conception as to what their goal is. All the other great war Governments or those who anticipated war—Mussolini, Hitler, Stalin—regarded increased food production as about the most important part of their programme of

preparation for a war which they regarded as inevitable sooner or later. Our Government is the only one which declined absolutely to take that point of view and while they were increasing their food production we were allowing our arable land to lapse into grass. We go down by 2,000,000 acres of land which have become water logged with weeds covering the whole. They did not deem it necessary because they were depending entirely upon imports. I should like to feel that they had shaken off that obsession now that they had at last understood what all other European countries had fully realised before—that the facts of the war, the sinkings of our food ships, would have brought it home to them.

The remaining point is that there should be adequate labour provided to carry out this programme. At the moment labour is not merely trickling but is flowing from the land. There are 1,500,000 people out of work and surely from those we could make up the deficit of the 250,000 men who have left the soil since the last war. And there ought to be more. It is every man's duty to help his country now in the particular province where he can render her the greatest aid. I agree of course that we shall have to take into consideration the increased cost to the farmer of increased wages, because with the present wages you cannot get people to remain on the land. When the Government bring in their Bill with a view to increasing wages the farmer has a right to say "You must take this charge into account when you are fixing prices. The trouble is that the farmer is the one man for whom we do not seem to fix any prices. He does not know where he is."



having regard to the fact that it cannot be done the easy way, by using imported feed-stuffs? One man will be able to produce perhaps £20 worth of food per acre and another man £4 worth per acre, and, therefore, it is not only necessary to have a general plan for agriculture, but you have to get down to actual details field by field, farm by farm, parish by parish and county by county. The Minister said that we want to avoid bureaucracy and encourage the local county committees to use their local knowledge to the full. He should go further and use their local initiative and imagination to the full. . . .

MR. W. S. MORRISON: . . . The reason why my right hon. and gallant Friend the Minister of Agriculture has not replied in person on the very large number of interesting points of an agricultural character put to him, is that we felt that, in a Debate of this character, offering to hon. Members one of the few opportunities they have to express their opinions on matters important to themselves and to their constituencies, too much time ought not to be taken up by Front Bench speeches. If, therefore, I do not answer all the points of an agricultural character, I hope that they may be postponed to another day or dealt with in another way.

I can say, in general, about the exercise of powers to take over derelict land, that that is being provided for and that committees are in touch with my right hon. and gallant Friend. The necessary steps are being taken in appropriate cases. . . . On the point as to landlords, we cannot expect a Debate of this character to take place without the hon. Member for Don Valley (Mr. T. Williams) and some of his hon. Friends heaving a brick-bat at the landlords. It would give a false impression to suggest that landlords are not anxious to play their part in our agricultural effort. My right hon. and gallant Friend assures me that in every case where a ploughing order has been judged advisable, because the land is suitable, the order has been made, irrespective of who possesses the land.

MR. T. WILLIAMS: Does that apply if a farmer wants to plough up more than the quota?

MR. MORRISON: I understand that the guiding principle in every case is to consider whether the proposed ploughing-up would be really economical or not. It has been frequently said that there are cases where you actually get lower production by ploughing-up. Discretion has to be exercised. On drainage I find that there is no difference of opinion as to the importance of this elementary act for restoring fertility to the land and that it is proceeding with vigour under the catchment boards. Some years ago, when I was Minister of Agriculture, I had the privilege of visiting many of these catchment boards which have done remarkable work up and down the country for which the nation as a whole should be grateful at

this time I should be very surprised to learn that there is any slackness on the part of the catchment boards in performing the duties entrusted to them. They take a natural pride in seeing the land in their charge improved and they perform their work with enthusiasm.

The hon. Member for Don Valley (Mr. T. Williams) referred to the necessity of securing that the ploughing up campaign is carried out with the enthusiasm which confidence alone can engender and he mentioned many matters which he said tended to destroy that confidence and to make it less a labour of love on the part of those charged with the duty of proceeding with its execution. In passing I would say that confidence is a plant of tender growth. It can be blasted by adverse events but it can also wither if too much oratory of a pessimistic character is allowed to circulate continually around it. While we ought to lose no opportunity of airing our grievances, we ought at the same time to consider what effect our words will have.

Where I come into the agricultural picture to-day is with regard to prices. One thing that the agricultural population does realise is that through the activities of my much-abused Ministry they get two elements of agricultural stability. The first is a guaranteed market and the second is better prices.

There is no need for me to emphasise the importance to this country of exports for many decades before the war. It is true that we have maintained a larger industrial population than any other country in the world in proportion to the total population at a relatively high standard of living that we have been able to obtain half of the total requirements of our foods from abroad and in large measure the raw materials for our industry and in addition to that have managed to build out of our savings an enormous foreign asset in the shape of our investments abroad which were of immense and incalculable service to us in the last war. Without those exports nothing of that kind would have been possible. Those are facts which I assume are generally recognised but I am afraid that it is sometimes forgotten that the importance to Great Britain of exports is not diminished in war time. If in peace export was essential to Britain for the rapid growth of her economic life it is vital in war in order to preserve the nation's very life.

Great Britain must take all risks to maintain and even expand her foreign trade to-day. We may have to adopt unorthodox methods; certainly orthodox methods to-day will no longer suffice. The Government must face up to this problem. If they were a Free Trade Government I could understand any reluctance on their part to depart from the conventional methods of trade but after all this is a tariff Government. They are used to tariffs and subsidies. They revel in subsidies, restrictions and prohibitions. These times are not normal and abnormal methods and means may have to be taken in order to maintain our export trade in the conditions that prevail to-day. It is indeed certain that extraordinary measures will be necessary to look after our needs in time of war.

It may be a somewhat trite statement that exports pay for imports; it is true that we can always get our imports if we have the wherewithal to pay for them. There is one sound method of paying for them and that is by exchanging our goods for other countries' goods. If we fail to do it in that way we have to resort to our capital assets—gold, foreign exchange and foreign securities. It is essential that those reserves should not be drawn upon except in the very last resort so as to place us in as favourable a position as possible to resume trade after the war. It is therefore obvious that export trade is one of the major sinews of war and like every other kind of sinew it must be used, exercised and trained to be effective.

In face of this paramount importance of our export trade I would like to ask the Government this afternoon what is their viewpoint on the matter, what is their policy and what steps are they taking to give effect to that policy? I have heard the Government criticised

for their want of policy in many directions but in this particular matter, at any rate, it may be fairly said they have a policy, but they seem to lack direction in order to give effect to their policy. The President of the Board of Trade has frequently shown that he fully appreciates the importance and urgency of the problem. In a Board of Trade Memorandum some time ago he urged the necessity of not depriving the exporter of raw materials for manufacturing goods for export, and he also emphasised the importance of expediting export licences as much as possible. But he does seem in the present organisation of the Government to lack that co-ordinating power to apprise priorities as between the different supply departments.

MR HORABIN From the speeches of Ministers it is obvious that we are all agreed on the importance of export. Ministers, no less than their critics have set out to make it clear to the nation that we must either export or die. Indeed, the President of the Board of Trade, who, I believe, is primarily responsible for the export trade of this country, has shown that he is fully alive to the urgency of the problem. Unfortunately, his authority in the matter does not seem to match his responsibility. For that he has my sympathy. When we turn from the realms of words and good intentions to the realm of action we find the Government incapable of carrying out their own clearly-expressed intentions. Since the outbreak of war our export trade has fallen by 42 per cent. I hope the Minister is not going to fall back on that last resort of a harried Minister which we have seen during the discussions on the Address. I hope he will not attempt to justify the failure and the muddle of to-day by comparing what happens in 1939 with what happened in 1914, or even with what happened in 1917 or 1918. We are faced with something very much greater even than our own effort in those years. We are faced with the effort of Nazi Germany to-day.

In this war, too we are faced by far more serious economic conditions. Our resources in gold and mobilisable foreign assets are much less than they were in 1914. We are also faced by "cash and carry". For much of the raw materials and foodstuffs which we must import or starve, we are compelled to pay cash on the nail. That means, broadly speaking, that we cannot pay for this war out of accumulated savings because they exist only to a small degree, we cannot make the future pay because our ability to borrow abroad is also strictly limited, and we have, therefore, to pay as we go. As an hon. Member said yesterday, the national income is the same thing as our total production of goods and services. We have the men, after all, we have 1,400,000 unemployed in this country—after three months of war. We have also the plant available for the manufacture of goods for export. We can find the raw materials, if necessary, by restricting the consumption for

home purposes. We must make that sacrifice if necessary because export is as vital to our war effort as the complete efficiency of the three Fighting Services. Without exports the Fighting Services would find themselves starved of essential equipment. We have markets abroad ready and anxious to take our goods. Our export merchants are turning down inquiries every day of the present war. Why are they doing it? Because I suggest of the Government's ineptitude. Government action is destroying our export trade at a moment when it is not only vital to maintain exports but it is even more vital to increase them.

I see no prospect at the present moment of increasing our exports until complete control of our economic activities is in the hands of one Minister armed with authority to carry out definite policies and able to cut through inter-departmental difficulties. Until co-ordination takes place we shall continue to let Germany push us out of the markets for instance of Northern Europe because the price of the coal we are attempting to sell has increased. We shall continue to allow Germany to win the economic war in those many markets still open to her and to us and we shall continue to see our own trade languish even in those markets from which Germany is excluded but which are still open to us. We shall continue to muddle our chances away until we have a Minister charged with the responsibility and also with the authority to organise our economic forces as a whole.

**MR SHINWELL.** Are we taking effective measures to check internal consumption? For example I am informed and I have no reason to doubt the accuracy of the information that in-textiles there has been a rapid increase in production but not for export. The retail trade has benefited and it is obvious that the people of this country are purchasing more textiles. The question we have to consider is whether in existing circumstances it is desirable for people to buy more goods or whether we should adopt a strategy so that internal consumption may be checked without disadvantage to the people at the same time liberating some of these goods for export purposes.

**MR STANLEY.** It is true that in the first month of the war, September, there was a very heavy fall in the value of our export trade a fall of about 38 per cent. I cannot pretend that that fall was unexpected either by me or by anyone else who was interested in or had knowledge of the likely conditions of the export trade in time of war. The immediate effect of an outbreak of war is to destroy the very conditions for trade, all the confidence and the feeling of security goes and there are among customers all over the world uncertainties as to prices and delivery which are bound to impose a severe check. There is inside this country the change

from peace to war conditions, with all the uncertainty which that produces among our manufacturers. There were of course, shipping difficulties, the formation of the convoy system, the diversions which had to take place in the early days of the war when no one knew what the course of the war was likely to be, and in addition, there was the imposition of restrictions with which I shall deal in detail later and which I shall claim were fully justified, but which, I frankly admit, had to be administered by a machine which was, as it had to be in the early days, inexperienced and overloaded.

In 1914 there was no convoy system, no submarine warfare, and no diversion, and yet as a result of the mere impact of war upon the peace-time export trade in the first months of war in 1914 the exports of this country fell, not by 38 per cent, but by 46 per cent.

If I had had an opportunity of addressing the House earlier on this subject I should have warned hon. Members that I did not consider the first month or so of the war as any sure basis on which to make an estimate of the likely course of exports during the war as a whole. In October, there was some improvement to be seen. No doubt the machinery began to work more smoothly, some of the shipping difficulties were being reduced, and gradually some new basis of war time prices and delivery was being established, with the result that a comparison between October and September shows a rise from 23.1 million to 24.6 million, or 7 per cent.

**SIR ARCHIBALD SINCLAIR.** That is less than the normal seasonal rise.

**MR. STANLEY.** Everything goes to show that during the month of November there was a major change in our export trade position. Whereas in October the rise over September was of the magnitude of 7 per cent, in November the rise over October was in the neighbourhood of 50 per cent. The result is that the level of exports for November is now about back to the level of exports in the last month before the war began. It is true that the peace-time seasonal trend under which normally the figures are higher in the month of November almost than in August, means that we are still something below November of last year, but even so—again I revert to the figures of the last war which I looked up out of interest—it was not until the spring of 1916 that our exports got as close to the figures in the comparable month of the last year of peace time as we have in November of this year.

I do not give those figures and those indications to the House in any sense of complacency, but I do give them with a considerable amount of confidence. Of course there is much to be done still.

But the trend of the figures does show how unsupported in fact are some of the things which are said and written now about our export trade—the too exaggerated pessimism which one has

heard and which gives both to people in this country and to the world the impression that our export trade has practically come to an end

The Amendment is divided into two parts. One part suggests that the export trade can be helped by the removal of what are called the unnecessary restrictions which are now imposed upon it.

What are those restrictions? what are the reasons for them? and is it possible in one way or another to improve their administration and make their operation less restrictive?

With regard to export licences I think that the hon. Member really cannot have meant that in existing circumstances he would dispense with this licensing system. What is the necessity for it? First, it is a question of supply. There are a certain number of articles and a certain number of raw materials so urgently required for purposes of National Defence that we cannot afford to export them or if we can afford to export them we can do so only in limited quantities.

Secondly, it is only by a system of export licences that we can prevent valuable exports from this country reaching the enemy and so aiding him in his war effort.

I agree that given the necessity for these restrictions it is very important to see how they are administered, and I agree that they must be administered with a minimum of inconvenience consistent with the objects for which they were imposed. There must be some restriction, but I think hon. Members will find that we have taken every step that we could to make the operation of the restrictions as easy as possible.

In the first place it is not always realised what a small proportion of our export trade is covered by these licensing restrictions. It is only about 30 per cent. of our pre-war exports to non-enemy countries to which this applies and even then it often applies only to particular 'dangerous' countries as we call them where the risk of goods filtering into Germany is greatest. I agree that at the beginning of the administration of this scheme there were serious delays.

In general, however, I think it is now safe to say that all these applications are dealt with within a week and many of them in a shorter period than that.

The other restriction for which I am responsible is the requirement of import licences. I do not think anybody will question the necessity for that, certainly not the hon. Gentleman opposite who raised what is I think one of the most important questions which we have to face, namely the question of internal civilian consumption. Nobody could justify using our hard-earned or hard-saved foreign exchange to import luxuries for consumption in this country or to import things which can be and are being made here.

But again it is a question of administration. I propose to deal with this only in so far as it affects the export trade because that, after all is the subject of the Debate. I will say that in general in most countries the particular economic effect of the import restrictions upon the possibilities of our export trade is not likely to be great, because we are not stopping purchases from any of these countries, we are only diverting them. When we stop the import of luxuries from America it does not mean that we stop our imports from America. The probability is that we are buying far more from America but it is trade of a different kind. Where of course, this system may have an effect upon exports is in individual cases where the article imported is either immediately re-exported or forms the foundation of some subsequent export. It is obvious that it is not in our interests to prevent the import of that kind of article even of a luxury character if it is either to be exported again or is to form the foundation of some export from which in turn we can draw exchange.

I should like now to pass to the question of the controls. The reason for the system of control has been given before by the Minister of Supply. I do not think anybody will challenge the idea that with reference to a number of raw materials, there must be some form of control. In those cases where there are large Government requirements it would be an impossible situation if you had the Government and industry struggling for a limited supply of a raw material which they both needed. But I agree that to a large extent the fate of the export trade of this country is in the hands of the controllers of the various raw materials. Their neglect or indifference could stifle it and equally any encouragement which they can give to it will prove a great stimulus.

I would like now to turn to the other side of the Amendment, to the question of the active steps which can be taken.

I want to say one or two words on the general principle of the export trade because it seems to me that many of the letters and many of the articles that one reads in the Press and many of the things that are said to one must what, to my mind is the fundamental principle of export trade. I have seen many letters in the Press lately headed "Great Drive for Exports" "Necessity for New Markets," and you read down and nearly always you come to this that the only practical instances that are given are something in the Balkans something in the way of carrying on economic warfare. Is that the main and only object of our export trade to-day? The first object of our export trade must be to provide us with the exchange with which to buy the things that we require and in order to do that we must have the volume of export trade which will produce that foreign exchange. I am not for a moment



denying the importance of the other class of our export trade, the importance of the kind of exports to which the hon. Gentleman referred the exports which can be secured partly by a diplomatic campaign and partly by a campaign of blockade but they override in importance the essential fact that we should in one way or the other provide enough exports to give us the things without which we can neither fight nor live.

These two objects and forms of export trade raise entirely different questions. The one can I think proceed not entirely, but on the whole on well recognised lines. The other will need entirely new and largely *ad hoc* methods to deal with it and therefore I will take each of them separately. When you come to what I may call the bread and butter exports no generalisations about the way to maintain and increase those exports are any good at all. Each industry in each market is faced with quite different difficulties and quite different problems and an easy generalisation which ignores these difficulties and problems will not help at all. It really is a matter of having to get down to every single case and dealing with that as a case on its own. Let me give some examples.

What is our most important and during war time our most valuable export? It is coal. In the coal trade and perhaps in the coal trade alone shipping is the only difficult factor.

This one major difficulty in the way of further increases is being actively pursued from day to day by the Minister of Mines and the Minister of Shipping. The difficulty in by far the largest block of essential exports is the question of supply. The hon. Gentleman who seconded the Amendment was quite right and I think that nearly all the critics of our export policy at the moment are quite wrong. Over the large range of our export trade to-day markets are at any rate at the moment not the real difficulty. We have evidence from a large variety of traders that not only are inquiries up to their accustomed level but that they are increasing and in different parts of the world we have not only the same markets as we had but bigger markets waiting for our goods and the difficulty is not the difficulty of markets to which reference is nearly always made in debate but it is much more likely to be the difficulty of supply.

We are there in the closest co-operation with the Ministry of Supply in order to ensure that as the war effort develops more and as more capacity has to be taken over for Service requirements sufficient shall be left for our export trade.

The second and for the moment the greater difficulty is the question of raw materials. You have here very often to meet this increasing demand for our products for export at a time when unusual calls are being made by the Service Departments on the raw

Materials for that export, and, of course, it is a question of the priority which is to be given to the various users. There is a Priority Committee, Departmental and Ministerial, on which the Board of Trade is represented at which the difficult questions of allocation are discussed.

I come now to the other class of export trade, the class where the risks are not purely economic and are not merely essential in order to get foreign exchange with which to buy the goods we need, but where there enters an element, either great or small, of politics.

I can only speak on this matter in the most general terms. We fully recognise the importance of this type of export as an assistance in our economic warfare. We fully realise that in many cases, if this is to be made effective, the old fashioned methods will be inappropriate and that it is not and cannot be a question merely of removing restrictions and making raw materials available and even of conducting a campaign of advertising. Further, we realise that in many cases speed is essential and that the opportunity, if it is not taken, may never occur again.

I believe that in the various Departments we have all the powers that are necessary to make the kind of bargain with any one of the countries which we have in mind. The real problem is to see that those powers are collated and that, instead of being used by one Department without reference to another, perhaps to the detriment of another, a picture of the whole thing should be formed and all the powers where necessary should be used together. We have set up a sub-committee of the Economic Policy Committee which is charged with these functions only. It is a ministerial committee presided over by the Minister of Economic Warfare, and it includes ministerial representatives of the Board of Trade, the Ministry of Supply, the Ministry of Food, the Ministry of Shipping and the Treasury.

MR. AMERY. . . My right hon. Friend did indeed succeed in somewhat toning down the vehement criticism which was expressed, among others, by my right hon. Friend opposite about the effect of the various controls on our export trade. All the same that was only part of the criticism which was made. The greater part of the opening speeches were not so much concerned with the fact that we were not carrying on business as usual, but with the fact that we were not taking advantage of our opportunities and of our desperately urgent necessities in order to do much more business than usual and to do a great deal of unusual business. They went on to suggest that, in order to get beyond business as usual, a more effective central direction and impulse was needed. My right hon. Friend's answer was, in effect, that there are Committees which he has found helpful, and that we ought not to speak too unkindly

of them. But who did? Committees are necessary in business and in politics but they are only valuable if they help somebody in direct control to see that something is done and done swiftly. Of course that raised what is really the central issue of this Debate and to which for obvious reasons my right hon. Friend could not reply. The trouble with this Debate is that we are being given purely Departmental answers to fundamental issues which transcend Departments' issues in regard to which the Prime Minister, or possibly his next spokesman the Chancellor of the Exchequer, alone could give a reasonable reply which could satisfy the House that what is necessary is being done and is being done with the utmost vigour.

If there is one slogan that would certainly lose us this war it is Safety first. That is the slogan which almost every department and control has quite instinctively adopted especially towards the effort of any other department or any private individual. That is a perfectly natural and inevitable result of the absence of proper positive direction and impulse from above—from someone who should be concerned with and thinking of one thing only victory. So far in a very large measure our handling of the economic problem has been negative. That at any rate is the opinion of the whole of the business world with which most of us come in contact.

It is vital to get ahead with exports and to get ahead with them in any way that we can. I entirely agree that we have to dismiss all previous orthodoxes in this matter. We shall have to adopt Free Trade methods, Protectionist methods, Socialist methods, as they fit the needs of each particular case. Let us get rid at any rate of restrictions to the fullest extent that we can. Control is not the answer. What is wanted is direction, help, stimulus, not. Thou shalt not pass from in front but a Get on from behind.

I will touch on only one or two ways in which the Government can help. They can for instance make blanket trade agreements with specific countries. They can do what the Germans have done and fix a specific exchange rate for sterling adapted to the country concerned. We may have to take a much broader and more generous view of the necessity for export credits.

We may very well have to give drawbacks on textiles and other goods substantially higher than the duties which are paid. During the Napoleonic War we largely paid our way as well as creating a cotton industry which dominated the world for a century afterwards by an export bounty on every pound of cotton piece goods exported. I think the hon. Member for Seaham made a valuable suggestion that the Government should encourage the formation of export companies or associations concentrating on a

particular market or group of markets. That is how in Elizabethan days we nursed our import and export industries.

Then there is a question which is not as important in volume, I admit, as that of the general fostering of our export trade, but is a most urgent problem—the question of underselling and out bidding our enemies in those markets to which they still have access. My right hon. Friend spoke in general terms indicating that the problem was recognised, that a committee was sitting on it, that something was going to be done. But, good heavens, why has it not been done in the last three months?

At this moment we ought to be urging the sending of British missions all over the world as evidence of good will towards these countries.

There is the direct help which the Government ought to give to our industries to enable them to export, and there is also another form of help, no less essential and no less important, which they must also give. They must enable this country to save as well as to earn. It is essential that our home costs and consumption should be kept down. As far as the home consumption is concerned that might automatically be kept down by the mere rise of inflationary prices involved in the vicious spiral of increasing wages and increasing prices.

But that form of restriction only paralyses the export trade. If the export trade is to be kept up we must keep down our home level of prices. Therefore it is essential that the Government should make a determined onslaught now upon this vicious spiral which has already taken quite a number of turns upwards.

There are many methods by which that problem can be dealt with and many points from which it can be attacked. Rationing is one of them. Anti profiteering legislation is another. I am inclined with Mr. Keynes to think that neither of these by themselves would carry us very far. We may well have to give before long very serious consideration to his suggestion of some system of compulsory savings or deferred payments as he now prefers to call it which will inure to the benefit of national expenditure, keep down wages and salaries and yet return them for the future social benefit of those who have rightly earned them. Meanwhile I have no doubt that something can be done in that direction by a really vigorous prosecution of the campaign for national savings certificates. Personally—and here again I am again unorthodox—I believe that to the existing schemes of saving you might quite well add one which might appeal to the more sporting instincts of the average man, competing with the football pool—a system of savings coupled with substantial prizes available after the war. Then there is the turn-over tax. That, again, if applied to the right articles could raise a great deal of money and do much to keep down consumption.

Lastly there is the whole wage question. In France they have taken the bull by the horns and have practically stopped all wage increases. Here at any rate we ought to be very careful to consider on what principle wage increases are granted when the cost of living rises. The almost inevitable tendency at present when the cost of living rises is to add the example of men with large families and ask: How can they live on that wage? and then instead of making special provision for these large families to give a wage increase all round. That at once benefits a vast majority of men with no or small family responsibilities and therefore creates a volume of spending power not required for necessities but inevitably used for other purchases which send up prices and wages still further. If we are to have wage rises in future let them be strictly adjusted to family needs. Let the additional payment be in direct proportion to the number of members in a family and then we shall have the satisfaction that while we have met real needs and have ensured the future of our children which is the one asset which we must save for the future we shall at any rate have done something to check the unregulated rise in costs.

### (c) Transport

*Questions of trade were inextricably linked with the use of transport and in February the Government's agreement with the railways was severely criticised. But to an island at war external transport is immeasurably more important than internal. The question of shipping was raised as early as the 14th of November and on the 18th of March the Government was driven to defend itself in reply to a Labour motion regretting the absence of efficiency and foresight in the administration of the Ministry of Shipping and calling for a speedy expansion of the shipbuilding programme.*

MR SHINWELL. There can be no divergence of opinion as regards the first words of this Motion. We are all agreed about the paramount importance of shipping and shipbuilding in war time. There is unanimity on that score. Furthermore I think hon. Members will join me in asking for a speedy expansion in the shipbuilding programme. There may be divergence of view regarding the words of the Motion which relate to what we regard as the absence of efficiency and foresight in the administration of the Ministry of Shipping. Over and above that there can be no dispute as to the discontent which exists particularly in ship-owning circles with regard to the administration of the Ministry of

**Shipping** Shipowning circles are seething with discontent, and to judge from statements which have been made certain shipowners are violently indignant with the Ministry, while hardly one of them has had a good word to say of it.

Some of us on this side have been at great pains in recent months to gather information in order to satisfy ourselves that all was well because apart from our general concern for the efficiency of the Mercantile Marine we are particularly concerned about the effect of inefficient administration on the conditions of the seamen. Therefore I wish to present to the House certain examples of misdirection and mismanagement at the Ministry or if the right hon. Gentleman prefers it alleged examples of misdirection and mismanagement at the Ministry.

Ships were ordered for voyages on the North Atlantic trade which had never been employed on that trade before. Hon. Members do not require to be reminded that many ships are specially built for particular trades.

What was the result of employing ships on the North Atlantic trade which had been specially designed for other trades? It was that damage was frequently sustained and that the vessels had to be laid up for repairs. Ships were ordered to proceed for inward cargoes. The Ministry does not concern itself in the main with outward cargoes. The shipowners endeavoured as one might expect to secure outward cargoes. They were unable to obtain outward coal cargoes. However desirable it might be to export coal they were unable to obtain licences. What was the result? Scores of ships have left this country in ballast and the right hon. Gentleman will not deny and anyone who knows anything about the North Atlantic trade must agree that a ship proceeding in ballast across the Atlantic Ocean particularly in midwinter is a danger to itself and all concerned. The position was that ships were ordered to proceed for inward cargoes and then the orders were countermanded thus leading to delays. Ships were diverted from one port to another for no apparent reason as a result of which cargoes were delayed.

Ships were ordered to collect inward cargoes, for instance at several ports at the Plate some on the coast and some up river when it would have been much easier to have allowed a vessel to load a cargo say of grain at one port. The result is that money and time have been wasted. Ships are being delayed in the Bristol Channel ports for want of coal both as cargo and for bunkers. At present ships are waiting in Cardiff for berths and yet strangely enough berths are available in Newport 12 miles away.

I wish to say a few words now about delays due to another cause. I refer to delays which are attributable to the shortage of crews.

I do not want to go too far back to give examples and I take the

right hon. Gentleman back only a few days. I have been making careful inquiries into the subject, and this is my information. In the week ending 13th January, 14 ships were held up, the maximum delay being eight days. In the week ending 20th January, 17 ships were held up; in the week ending 27th January, 14; and in the week ending 4th February, 27 ships were held up and the maximum number of days' delay was 11. . . . Is it necessary that this should go on? . . .

Apart altogether from shortage of crews, there have been some flagrant examples of misdirection. I will give one illustration. There was a vessel—it is undesirable to give names—which was lost off Land's End 10 or 12 days ago. She was originally part of a convoy. She was diverted to Liverpool for the purpose of unloading. Then, for some unaccountable reason, she was diverted to London to unload. When she reached London only a third of the cargo was discharged, and she was there for 10 days. Then she was diverted to Manchester and, on the way, was lost. . . .

I think I have said enough as far as misdirection and maladministration and delays are concerned. I want now to present to the House a short picture, as I see it, of the Ministry. To begin with, no great alacrity was displayed by the Government in creating the Ministry. I believe that is a main cause of the trouble. If the Government had created it when we on this side asked for it many months ago, before the war, plans would have been prepared. For example, rates of hire would have been negotiated and settled, thus reducing discontent in the shipping industry, and, obviously, many other difficulties would have been surmounted. But, for some reason, obstacles were placed in the way of the creation of the Ministry. . . .

Let us see the picture. The right hon. Gentleman has requisitioned the British Merchant Marine. . . . It has been said by some that this is nationalisation of the shipping industry. Of course, it is nothing of the sort. It is a travesty of nationalisation. We on this side have never conceived nationalisation as being the sort of thing in which an industry or a service is taken over by the State and run by the Civil Service. To take over an industry—yes. To buy up the owners or confiscate their property, as the case may be—though we do not lend ourselves to that proposal—and to administer the industry by experts on both sides who understand it—and there are men with expert knowledge on the labour side of industry—that is our conception of nationalisation. This, however, is not nationalisation. . . . Having requisitioned the vessels, the right hon. Gentleman leaves the management in the hands of the owners, but under the direction of the Ministry. I should have preferred, for purposes of efficiency during the war, to have requisitioned the vessels and fixed reasonable rates of hire on the basis of normal peace-time

profit. After all no objection has been raised in this quarter of the House to peace-time profits. The industry should be left in the hands of experts outside the Ministry to direct it efficiently and in accordance with the general policy adumbrated by the Government who should have one or the other but not the combination of both which has led to the present unsatisfactory position.

I should like to ask the right hon. Gentleman when he proposes to conclude the negotiations in respect of requisitioning rates? There has been considerable delay in coming to a decision. Who is to blame? Are the shipowners asking for too much? Is the right hon. Gentleman demanding that they shall accept what they regard as too little? The sooner we get rid of the discontent in the shipping industry the sooner we shall promote efficiency. You cannot have a discontented industry operating efficiently in war time. I invite the right hon. Gentleman to furnish some information as to the position in respect of requisitioning rates. I invite him at the same time to explain why he has entered into agreements with certain neutral countries for the use of their vessels at very favourable rates while he declines to accord the same treatment to British ship owners.

We are also entitled to some explanation as regards the profits of the Ministry. The right hon. Gentleman hires out the ships to various Government Departments. He pays the shipowners 4s. 6d. a ton deadweight. There may be an increased rate later. What are the freights charged to the Ministry of Food and the Service departments? Is the right hon. Gentleman making a huge profit and if he is what is it proposed to do with it? Is it to be a fund for the Chancellor of the Exchequer or is it to be used for the purpose of replacing obsolete and lost vessels in the course of the war? If that is the purpose I do not object. If the right hon. Gentleman contemplates the creation of a fund for the purpose of replacement and holds it in reserve that may be regarded as an alternative to providing shipowners with high profits to enable them to replace obsolete and lost vessels.

I pass from the Ministry of Shipping and the general administration of the shipping industry to the question of shipbuilding. The first point I wish to make is that the fact that shipbuilding has been transferred from the Ministry of Shipping to the Admiralty is in itself a justification for our Motion. Why was that transfer effected? It could not possibly have been effected because the Ministry of Shipping were undertaking the task of replacement satisfactorily for if so there would have been no need for it. I think that is a fair point to make. I want to refer to something the First Lord of the Admiralty said in this House some weeks ago when he informed us that we had 18 000 000 tons of effective shipping



Of course we have nothing of the sort. What are the facts? We began the present war with a Mercantile Marine of 6 722 steamers and motor vessels totalling 17 891 134 gross tons compared with 8 578 vessels totalling 18 892 089 tons at the outbreak of the 1914 war which represents a deficit of 1 856 ships totalling more than 1 000 000 tons. But when we are speaking of effective shipping what do we mean? The right hon. Gentleman included in the list of effective vessels the *Queen Mary* of 80 000 tons the *Mauretania* the *Empress of Britain* and over and above that a large number of liners and cargo liners which had been converted by the Admiralty into armed merchant ships. The First Lord of the Admiralty spoke of having made several captures from the enemy but he has also captured many vessels from the British Mercantile Marine Service which obviously cannot be included as effective cargo carriers. Moreover it is quite wrong to include in the list liners above 15 000 tons with their scant cargo-carrying capacity. In addition the House may be surprised to learn that some vessels built for the meat trade and having refrigerating capacity had their machinery completely gutted before they were converted into armed merchant ships and I understand some difficulty has been experienced in securing refrigeration space for the carriage of meat. That does not seem to indicate efficiency.

In 1914 we had 2 813 ships of 13 000 000 odd tons on which we relied for our carriage of food and raw material. To-day we have 1 751 of 12 000 000 tons and on the assumption that we exclude liners beyond 15 000 tons and some between 10 000 and 15 000 our effective tonnage therefore is no more than 10 000 000 tons. I deplore it but let us face the facts.

It is a very alarming state of affairs that in the course of the first six months of war we have lost from one cause or another rather more than 750 000 tons of merchant shipping. In addition to that many vessels that have been damaged are not included in the losses sustained. Many no doubt can be repaired in a little while but many cannot be repaired for weeks or months because of the absence of repairing facilities and dry-dock accommodation. I do not like it at all but it is better to face up to it so that we can devise some remedy.

I will put certain proposals to the Admiralty. To begin with they should be asked to relinquish as much shipbuilding space as possible for the building of merchant ships. I attach considerable importance to that proposal. One of the results of transferring the building of merchant vessels from the Ministry of Shipping to the Admiralty will be to enable the First Lord of the Admiralty to build naval vessels in excess of his needs in this particular year, having regard to the preponderating power of the British Navy as compared with that

of the enemy, and to do it at the expense of replacements in the merchant fleet. I understand that in the majority of shipyard centres, taking it by and large and without giving the details from each district, 70 per cent of the shipbuilding is on naval account and only 30 per cent for the Mercantile Marine. There should be a much more suitable allocation, and the needs of the Mercantile Marine must be considered.

The Admiralty should also be asked to release as many skilled men as they can for work on merchant shipping construction.

As regards the lack of skilled workmen, I understand that there are in Southampton and other places experienced workmen who are normally engaged in luxury shipbuilding. They are highly skilled and could be usefully employed in the shipyards. They should be provided with facilities for transfer and, if necessary, given maintenance grants.

**THE MINISTER OF SHIPPING (SIR JOHN GILMOUR)**  
The Parliamentary Secretary to the Admiralty will no doubt deal with shipbuilding from the point of view of his Department. Before the war, as the House probably remembers, the Board of Trade had arranged with the Admiralty for the allocation of shipbuilding capacity in the yards of the country for the first year of war. Under actual war conditions that plan has come into operation, and from 1st February responsibility for merchant shipbuilding has been transferred to the Admiralty. That step was taken, as it was in the last war, for the practical purpose that the control and organisation of the shipbuilding industry should be under one direction and that there should be opportunity for flexibility.

The only other point is that the responsibility for indicating the type of ship to be ordered remains with my Department. There is another responsibility which I have to discharge. The House will remember that in March last the President of the Board of Trade announced that loans and grants would be made to assist owners to build new tonnage. As a result of the large quantity of tonnage which, very fortunately, was placed, we are to-day in a very much better position than if that had not been done. The scheme, as was announced in October, has been continued and is now completed. As a result loans for over £4,750,000 have been granted in respect of some 55 vessels.

**MR SHINWELL** Does that conclude all the right hon. Gentleman has to say on the subject of replacement and his arrangements with the shipowners? Is that the end of the story so far as he is concerned? Can he say nothing about the question which I addressed to him as to whether he can provide any plan or guarantee that there will be a reserve fund for the purpose of replacing vessels during and at the close of the war? Or does the right hon. Gentle-

man propose that shipowners will be able to meet depreciation out of the higher rates in contemplation?

SIR J. GILMOUR: I am proposing to deal with that aspect of the matter. I was explaining the position in regard to shipbuilding assistance. The loans are quite definite, and in regard to the grants I am about to discuss that matter with the shipowners.

The Motion before the House accused the Ministry of Shipping of lack of foresight. I wonder whether the House realises how much more rapidly steps have been taken in this war than in the last to take full control of our shipping resources? . . . I will recount the steps by which we have proceeded. At the outset it was thought wise by those responsible—I do not differ from that view—to bring shipping under the control by a system of licensing. While the shipping programme of the Ministry of Food and the Ministry of Supply, which together now account for practically the whole of our imports, were being formulated, owners should be left free to choose their trades and submit their charters for subsequent approval. Experience quickly showed that the licensing system did not guarantee the provision of the volume of tonnage necessary for vital programmes running into hundreds of thousands of tons a month and requiring the allocation of ships up to a definite tonnage and for definite dates. What appeared to be a licensing system had rapidly to be transformed to one of drastic direction under which owners had to realise that unless they chartered for particular business their applications for licences would have no chance. . . .

This was not satisfactory from any point of view, and we came to the conclusion that requisitioning would be both fairer and more efficient in the actual circumstances of the case. It would be fairer because the burden of carrying Government cargoes at controlled rates did not fall equally between one owner and another. . . . The first important step was taken when in December I requisitioned the tonnage necessary to import grain across the Atlantic at the close of the St. Lawrence season. There is, of course, a period during which the St. Lawrence automatically becomes frozen up, and it was essential to get out of the St. Lawrence as much grain as we could before that actually happened. Therefore, however much one may dislike doing these things, I came to the conclusion that we had to take these ships.

MISS WILKINSON: Why dislike that?

SIR J. GILMOUR: In January I extended this system to the carriage of all cereals, sugar, oil-seeds and some of the more important mineral cargoes. Everybody will realise that these mineral cargoes are essential for carrying out our armaments. Before long, substantially the whole of our tramp tonnage will be operating under requisitioning, apart from the tonnage in the coastal and short

sea trades All liners which complete their discharge in this country after 31st January come under the liner requisitioning scheme. There is, however, a difference between the liner scheme and the requisition of a tramp. In the case of a tramp steamer full use is made of the owner's experience and so far as possible their agents continue to be employed, but the control of the voyage and the allocation of the vessel to a particular import service are under the direct control of the Ministry. The Government rely upon the organisation and the services of the liners themselves and they continue to conduct their regular service on our great trade routes to the Dominions and foreign countries as if they were still being run on their own account. The financial results of the liner's voyage will be for Government account but the booking of cargo and the commercial operation of the ship will remain in the hands of the liner organisations themselves. I have emphasised in my letter of instructions to the lines the importance of doing everything possible to maintain and expand the export trade. The House will realise that it is essential that we should keep the export trade going.

The lines are, of course, subject to my instructions as to the cargo to which they should give priority. They are also subject to any instructions I may give as to the routing of the ships and their ports of call. Indeed one result of the requisitioning scheme is to make it far easier to reduce unnecessary ports of loading which might otherwise be maintained to the interests of the goodwill of a particular line and also to control the number of ports of discharge.

I was saying that it is essential in war time that ships should be concentrated, regardless of ordinary commercial conditions and the licensing system did not require that a ship should engage on a particular voyage, it only ensured that a ship should engage on an approved voyage. Under these conditions it is impossible to plan ahead and ensure the regular execution of large scale shipping programmes. Moreover no scheme of controlled rates can show exactly the same profit and owners would naturally concentrate on those trades which showed the larger profits. The power of direction of the tramp tonnage and the right to require liners to adjust their ports of call, to divert vessels from one trade to another and to bring into the direct trade of the United Kingdom vessels which would normally be engaged far afield are essential measures for the achievement of the imports upon which we and our whole life depend. That is the fundamental reason why we have done what we have done.

There is the question of rates of hire. It is desirable that the rates should be settled by discussion with the shipowners' representative organisations and so far as is practicable that they should be agreed.

The rates are being fixed with the object of fairly covering owners costs and making provision for depreciation and a reasonable return on capital. It would not be right to include in the rates provision for meeting losses or for building up reserves apart from the normal allowances for depreciation but I do not overlook the fact that in due course the industry may find itself confronted with serious difficulties after the war. I am glad to say that important work has been accomplished in connection with the rates of hire first in reaching agreement as to charter conditions and next for working out a scheme for compensation for ships lost by war risk. This scheme is far advanced. With regard to compensation for losses the principle of the scheme is to allow owners of ships lost by war risks an unconditional payment in cash equal to the amount for which the ship was insured against total loss against war risk in the Mutual Clubs before the war and in addition such further sum as an independent tribunal may have from time to time approved before the time of loss as representing a proper current value for the purposes of the scheme. But this further sum will be held in a trust account and can be drawn by the owner only when he signs a contract for the replacement of the lost ship. Thus he will be entitled to do in a period of five to seven years after the war.

I turn to the question of shipping policy after the war. Anyone who has read the history of our country must realise that it is essential for us to have a reliable efficient and well run Mercantile Marine. We hope to re-establish when the war is finished the circumstances in which trade and commerce can flourish. But first we have to win the war. No one can forecast what conditions will be when the war is finished. No one can say with certainty that any promises that any Government made to-day could in fact be carried out. But I am sure that we shall require a comprehensive building programme and a rebuilding of the Mercantile Marine. Our merchant fleet must be able both in numbers and efficiency to take their proper place. If it had not been for this war the Government would have asked Parliament to help in material fashion with finance. For myself I believe that we are on the point of a settlement with the shipping industry which will provide at least reasonable security under existing conditions and since nobody can foresee what the actual conditions after the war will be we must face the problems of that time when they arise.

**THE PARLIAMENTARY SECRETARY TO THE ADMIRALTY (MR. SHAKESPEARE)** It is a truism to say that the shipbuilding industry in the post war years suffered from a slump more severe than that in any other industry. The House will remember that an attempt was made in 1930 to rationalise the industry.

Although criticisms have often been directed at the steps subse

quently taken, I think it will be found that in the result the steps then taken are now standing the industry in good stead. I know of course that there was a good deal of distress and of heart burning caused when shipyards were closed so that capacity might be adapted to demand but I am informed that the result has been that the potential capacity of our shipyards is not less to-day than it was at the highest peak of building in the Great War. I say that in no spirit of complacency, but because it does give some measure of existing capacity provided it is fully utilised. The shipbuilding industry suffered a further setback in 1938 and after negotiations with the industry the Government introduced their shipbuilding subsidy proposals in the spring of 1939. It is no secret I think, that at the outbreak of war the tonnage under construction, as far as the Navy was concerned was upwards of 900 000 tons and tonnage under construction as far as the Merchant Service was concerned, was in the neighbourhood of 750 000 tons.

Since the outbreak of war the Admiralty and the Board of Trade and subsequently the Ministry of Shipping have caused the stimulation of orders both on naval and merchant shipping account. As regards merchant shipbuilding the Departments concerned were aiming at a programme which was considered in peace time as being essential to war time conditions. The House knows that early in the year the responsibility for this was taken over by my right hon. Friend and the Board of Admiralty and this dual responsibility is now being discharged by my Department as it was in 1917. The Admiralty is now responsible for utilising all the capacity of the shipyards.

Clearly, the Department of State that can most easily direct a fair balance between the defensive needs of the country in the way of warships and the requirements of merchant shipping is my Department. Since the responsibility passed to my right hon. Friend he has secured the services of Sir James Lithgow, who is not only a shipbuilder himself but the son of a shipbuilder and I believe the grandson of a shipbuilder. In addition to that he has intimate knowledge of the industries associated with shipbuilding particularly the steel industry. Sir James Lithgow has joined the Board of Admiralty as controller of merchant shipbuilding and repair.

The House will want to know how in the short time that Sir James Lithgow has been at the Admiralty—that is since 1st February—he has planned his campaign. The first thing he has done is to initiate the fullest and most up-to-date survey of the existing capacity of all shipyards and to arrange for the placing of new orders where capacity is not being used to the full. I can assure the hon. Member for Whitechapel that at the present moment every berth in every shipyard is being used to its fullest capacity.

MR J HALL Including Belfast?

MR SHAKESPEARE Including Belfast The second question with which this Department has been concerned has been that of placing orders for the necessary materials and placing them at the appropriate date so that the maximum programme can be carried forward without delay As regards steel arrangements have now been made for securing the delivery of steel supplies to the shipyards at a date when those supplies will be needed No steel will be delivered before it is required so no steel will be lying idle and unemployed A similar survey has been made as regards timber and engine capacity

MR SHINWELL Is there no shortage?

MR SHAKESPEARE I would not say there is no shortage but steps have been taken to meet any shortage The next and most important problem is that of labour It is well known that there is an acute shortage of skilled labour to man the existing shipyards The hon Member who opened this discussion and several other hon Members have referred to the fact that there are 16 000 men in the shipbuilding and ship repairing industry who are unemployed It must be a confession of failure if at the very time when we are embarking on this tremendous merchant shipbuilding campaign hon Members in this House can point to the fact that there are skilled men unemployed I accept their condemnation if that remains the fact but there is some doubt about the exact skill of these men Of those 16 000 men, according to the latest Ministry of Labour Gazette there were just about 6 000 who were skilled

The hon Gentleman knows that there have been last week and there are continuing this week conferences between the Minister of Labour the Shipbuilding Federation and the trade unions concerned and one of the chief points which is being determined is the availability of labour—whether in fact there are these numbers of unemployed—and if so how they can be immediately absorbed If it is true as it may well be that some of them have not had up to-date experience it should surely be possible to make arrangements for training them so that their skill can be used It is this problem which the Government consider to be the most urgent and it is being considered at the Ministry of Labour by those who are in the best position to consider it The hon Member for Seaham told me the other day—his advice has often been useful to me at the Admiralty—that there must be a large number of men who were originally in the shipbuilding industry but who in the bad times had drifted into sheltered industries I followed up that suggestion immediately and a survey will be made to see how far we can attract back to the vital needs of shipbuilding these men who though perhaps doing

important work, are not performing work as important as that. That, I consider to be one of the most urgent labour problems.

Many hon. Members have asked in the last few weeks about the possibility of opening new shipyards. The short answer is that it is clearly a wiser policy to use to the fullest capacity, as regards labour and materials, the shipyards which now exist before further yards are opened.

MR. BENJAMIN SMITH: The hon. Gentleman has just told the House that they are employed to capacity.

MR. SHAKESPEARE: I am sorry I did not make myself plain. All existing berths are now used to the fullest capacity, but, if we had more labour, we could place further orders. There are a number of yards which could soon be brought into operation, and I think in existing yards where the berths are full the whole process could be accelerated. I am in the presence of Members who know more about it than I do, but I am informed that in the existing berths we could accelerate business by employing at once perhaps 20,000 men. If we can do that that is obviously our first task before we start the opening of other yards.

Finally, the right hon. Gentleman wished to know what is the maximum output of merchant shipbuilding at which we aim. This is the one question that I am unable to answer. As usually happens, what the House most wants to know is what the Minister is least able to disclose.

### (f) Labour

*In all the problems which the House discussed there was one common difficulty—that of Labour. The munitions factories, the export industries, the shipyards, the merchant marine and the land were all clamouring for men, yet the unemployment figures remained persistently high and the great reserves of female labour were scarcely tapped. On the 18th of April the House demanded an explanation.*

MR. OWEN EVANS: I submit to the Committee this proposition—that the organisation of man power is not perfect, or even reasonably good, unless as far as practicable every able-bodied man or woman is wisely and intelligently allocated to a job of work for which he or she is most needed and best fitted to further the national effort of winning the war. To-day we must have nothing less than that. There is no room for idlers and loafers, be they rich or poor, nor should there be any able-bodied person compulsorily unemployed. So long as there is such a person in the country, our war economy is not adequately planned.

Make no mistake, the plain, decent man in the street has this problem of the effective employment of our people very much in



mind. And no wonder. He knows perfectly well that this is not a war between kings or governments, but between peoples inspired by wholly opposite and contradictory ideals. The average man who listens on his radio has it drummed into his ears that this is what is called a totalitarian war. That may be a horrible word, but it is common currency to the mass of the people now, and it makes a man feel that somehow or other he himself is in the war. But he may be unemployed, and he wonders why he is not asked to do something. My experience is that this man tries hard to find some way in which he can help, but nobody seems to want him. This is not an uncommon experience to-day. He finds that there are thousands of others like himself. He sees the official unemployment returns issued by the right hon. Gentleman's Department—1,121,218 unemployed persons on 11th March, 1940, that is, six months after the war commenced, and 965,667 persons wholly unemployed on the same date. I know that my right hon. Friend succeeds admirably and pleasantly and certainly forcibly in reducing, on various grounds, these figures to somewhat smaller dimensions. . . . It is not my purpose now to quarrel with him on that point, but with all his subtractions and permutations and combinations he cannot get away from the fact that there still remains a large number, hundreds of thousands, of men who are doing nothing but who should be doing something.

I invite him to tell the Committee, first, what is the net residual figure from which the country can draw to swell and strengthen its man-power? Secondly, what are we waiting for now? what are the precise difficulties in the way of making use of these men? Thirdly, what steps are the Government taking to bring these people into productive industry as quickly as possible? Fourthly, how soon does he hope to cure this lamentable deficiency in making the fullest use of our resources in man-power? . . . No one can pretend that this country is at its maximum productivity until everybody has a job to do, provided, of course, that there is no shortage of raw material on which to work. Fortunately, there is at the present time at any rate no real deficiency in the supply of vital raw material for industry, and so long as we can buy it from abroad and import it, so long as we have the command of the sea routes with regular shipments, we need not be unduly disturbed about that. Therefore, the raw material is there. But there is a great shortage of semi-skilled and skilled labour in some industries at the moment. Why, therefore, cannot these unemployed men and women be absorbed? . . . Is it because there is not sufficient equipment for them? . . . Is it because there is a dearth of suitably trained labour? And upon that, I would ask the Minister of Labour what is the present position in regard to the training schemes established by the

Ministry Is my right hon Friend satisfied with the progress and extent of these schemes? . . .

What is the present position regarding the employment of women in essential industries?

What steps has the Minister of Labour taken to encourage and induce employers to survey the position in relation to the persons employed by them? I, personally, visualise the employment of women on a very large scale, but serious preparation is required in order to be ready when the necessity arises. Difficult questions will surely arise, and the trade unions must be consulted. The rates of wages of women must be determined and these certainly must not have the effect of depressing men's wages. The golden rule of "equal pay for equal work" might be applied, regardless of sex. If we adopt that principle, we cannot go very far wrong.

What I wish to emphasise in regard to all these matters is the need for immediate action, instead of waiting until certain events happen. If there is a shortage of equipment and if that is the reason why unemployed men cannot be absorbed, get the necessary labour trained for the time when the equipment will become available. We have too many bottle necks in the organisation of industry and labour in this country. I know, personally, that a great increase of production is needed in various directions. We know that if the war becomes intensified much more will be required. We have to prepare and the employers have to prepare, we have to see to it that the labour is available, although it may not actually be required now.

I foresee that before we are much further in this war many drastic steps will have to be taken, in organising the labour forces of the country. Measures may have to be taken which will be repugnant to the preconceived notions which most of us have about the freedom of employers to employ and the freedom of choice of labour to be employed, but we have to realise what we are against in this war.

THE MINISTER OF LABOUR (MR. ERNEST BROWN)  
When I heard that hon Members below the Gangway opposite wished to raise the question of man power as a whole, and not merely unemployment, which has been debated many times, I felt very cheerful about it, because in my opinion such a Debate was overdue. I will state to the Committee what, as I see them, are the issues that confront us in this problem of our war economy. There are involved the following issues: first, the manning of the Armed Forces; secondly, the equipment of the Armed Forces; thirdly, the maintenance of the Armed Forces whether in the field or in training; fourthly, securing the necessary production for our war effort, our export trade and our vital civil needs, without interruption and at an increasing pace. But in terms of man power, all these issues

involve one firm basis and that basis is the maintenance of a balance of man power first between the Armed Forces on the one hand and industry on the other and secondly between one industry and another industry. From the beginning that has been our basic problem. I beg hon Members when they read the Debate when they are discussing particular industries and crafts and the particular circumstances of certain men and the hardships that arise always to bear that major consideration in mind for all inter departmental decisions that are arrived at on the issues here involved must be arrived at in the light of that balance.

The hon Member asked what we were doing about men who were unemployed. This is a matter of an industrial process and the process does not begin with the Minister of Labour. He comes in at an intermediate stage. What is the process? It means using building and equipping factories shipyards workshops for war purposes. It means using the fields to the maximum for war purposes also. The Committee will understand that from the beginning of our rearmament programme it has been made perfectly clear in this House—and indeed the First Lord of the Admiralty pointed it out when he sat below the Gangway—that you do not obtain your maximum in one two or even three years, but that it is a continuous and accelerating process which becomes complete as the months go by.

This is how I view the problem of getting labour into the right place. Firstly it must be remembered how big is the part that the machine plays in modern industrial life. The sequence is this: design orders material continuity of orders and at all stages labour. Labour highly skilled and specialised goes into design at the very beginning of the process. It is that process that we have to see working in production. Movement of labour takes place in thousands in innumerable factories workshops and shipyards and right through the whole of the land.

Let me say one or two words about the industrial process that I have outlined to the Committee. The fact is that pressure upon the skilled man is in many crafts keen. The wheels have to turn very fast so that men who some months ago had little hope of employment are being now rapidly absorbed. Against the difficulties we have some solid advantages in mobilising man power in which term I include of course women. We must use men and women for industrial service. We have started with advantages over the last war, although I do not want to stress the last war too much. Our industrial population is much larger. We have to offset against that the fact that the demands of the industrial machine are also larger. Then there is the other element that the machine itself has greater productive value than before. We have an

efficient instrument in the Employment Exchanges whereby, if labour is available in any part of the country, we know about it, and can make arrangements to see if possible that men are put to the jobs for which they are equipped

What have we done, the hon. Member for Cardigan asks, to set the process in motion and to get the maximum use of the unemployed? First of all the Government have prepared an estimate of the problem of man power for war production for at least 18 months ahead. This estimate of course is secret. We have taken employers and workers in the industries concerned to full confidence in regard to the means by which labour forces for war production can best be secured. Employers and trade unions and the shipbuilding industry have expressed their readiness to help the Government both by advice and practical action. We have set up sub-committees to maintain practical co-operation between the Government, the engineering industry and the shipbuilding industry in order to work out the practical application in terms of employment, of the problems involved in the estimates we have put before these industries after I received them from the Supply Departments.

**MR. LAWSON.** A thing which is in the minds of a good many Members is that although we know the total number of the surplus unemployed we cannot as the right hon. Gentleman knows obtain the numbers in each industrial division. That is rather important. Can he give us the figures?

**MR. BROWN.** I cannot now, because it would really spoil the balance of my speech. I am asking the indulgence of the Committee in order to make a statement for the first time on man power. I do not want to be distracted. I understand that I have been criticised before for giving too many analyses and figures to the House. On the first occasion when I have been determined not to do that I now find that the Committee is asking me to do it.

I was pointing out that we have many advantages. We have the system of collective bargaining and the growth of efficiency in employers' organisation and in trade union organisation with a greater co-operation than was possible in any other period of British industrial history. When the hon. Member for Cardigan invites me in a rash sentence to prevent this thing and to do the other thing, I would ask him when he uses a general phrase about 'repugnant steps' that we shall have to take as he did towards the end of his speech to remember this. Let no one advocate these steps until they have exhausted free co-operation between employers' organisations and trade unions to the full. My view is, and the Government view is, that this is the way to get results.

The hon. Member for Cardigan was quite right when he pointed out that it is universally recognised that this war will make far

greater demands than any other war on the skilled worker of the country. He made one slip however when he exhorted me to produce the skilled man. That is not my task. It is my task to see that every available skilled man registers at the Employment Exchanges and is made available for a job in his own craft. It is not my duty to train skilled men nor could I do it. The hon. and learned Member for Mootgomery (Mr. C. Davies) rather chided me the other day for not training men in shipbuilding, but if he had taken pains to put the point either to the shipbuilding employers or the shipbuilding unions, he would have been told that the last thing the Ministry of Labour could do is to provide the equipment and surroundings necessary to train shipyard workers. We cannot claim, and we have never claimed, in our training centres to train skilled men, but what we can do is to give a certain amount of skill in quick time. The issue there is not somehow suddenly to add a thousands of skilled men. No one can do it. The skill is there. It is the result of long experience, and no Minister or employer can improvise it. What can be done, and what is going on in industry now, is to apply that skill to its utmost. The process is to make the utmost use of all the skill available so that every skilled man shall go to the job in which he is competent, and then the semi-skilled man shall follow him, and the unskilled will follow the semi-skilled.

Let me tell the Committee the machinery which has been set up in order that workers may be given the work they ought to have so that they can use their skill to the full for the nation's benefit and the less skilled jobs can be given to those from the ranks of the unemployed and others who were previously employed in other occupations. We have adopted the principle that every skilled man must be employed where his skill can best be used.

The general relaxation of customs having been arrived at in the engineering industry, the problem is no longer a centralised one except by way of reference for the solution of disputes. It is a factory problem, a workshop and a shipyard problem. It is an area problem. The Minister of Supply has set up area boards or committees for it is in the areas that this job must be done. There will thus be in each area a constant and precise knowledge of what factories and workshops are using their men to the full and what are not. It will be the duty of the boards and committees through their production officers to see that the end which the nation must have is achieved, namely, the realisation in practice of the principle I have just mentioned.

There are numbers of workers available to be transferred to other industries if their own industries stop, and I would put the number at 500,000. Not one man or woman must be allowed to remain unemployed if he or she has skill which can be used in the present

emergency. Employers and trades unions are co-operating locally with the officers of my Ministry to examine the qualifications of every man registered so that we can make sure whether he can be used locally, and, if not, what stands in the way of a move elsewhere. If we find that a man can be trained in some other craft, I have obtained sanction for the Ministry to pay his fare so that he may go from one place to another and get training in the industry for which he is suitable. In shipbuilding the process has already started. In coal mining I understand that instructions are to be issued at an early date. I will not go into that, because the Secretary for Mines on a proper occasion will have to explain the work of the new Coal Production Council and the discussions that are now going on.

May I come to the problem of training? Employers and trade unions alike agree that the proper place for training people is in factories and workshops. The hon. Gentleman asked whether this is going on. The answer is that many large industrial organisations have special sections for training and my task is to double them. As far as my own training schemes are concerned my trouble is to turn what has been a social service into an industrial war effort as an adjunct to the industrial effort. We have had 14 or 15 years' experience of training centres. Up to the war those schemes had always been a social service for the unemployed, not an industrial service. It was not the purpose of the Ministry of Labour to do for industry what industry should do for itself. It was the purpose of the Government training centres to give men in the hard hit distressed areas an opportunity, if they cared, to volunteer to learn semi-skilled—not skilled—trades to enable them to make a new start. That was the case up to the war. If prior to the war we had trained too many people it would have raised infinite prejudices—and rightly so—in certain quarters, because it would have been useless to train a man unless when he had been trained, he could be placed in industry without disturbing industrial relations.

When war came, the first question we had to decide was what part the training centres should play in view of the fact that more and more civil processes would take men and women direct from employment, on the one hand, and secondly men and women who had never been in industry before had volunteered to go into shell filling factories and other war time occupations. The Ministry started a campaign. First of all, we recruited the unemployed and I am glad to say that the 14 major Government training centres and a number of smaller ones which had shorter courses, are now full.

MR. GEORGE HALL. I would like to emphasise the right hon. Gentleman's reference to certain guarantees given to the trade unions, in respect of very many of the concessions with regard to

dilution and to the setting aside of some of the very excellent customs which the trade unions have built up in this country. We would ask him and any of his successors to remember that those guarantees will not only be asked for but will be expected. We shall expect the employers and the Government to see that they are carried out. The trade unions of this country have recollections of what happened after the last war. Guarantees were given to the trade unions and to the industrial workers of this country. Unfortunately they were not carried out.

The full utilisation of the man power of this country is not taking place.

How is the man power to be used? Is there to be a proper direction of the labour which is available in this country? The successful prosecution of the war and the protection and maintenance of the Armed Forces together with the production of munitions and the protection of the civil population are jobs of major importance to which the Government should pay even greater attention than at present. We should know the full requirements not only of the Services, but of industry for the production of munitions and of other essential industries for the production and manufacture of materials especially for export from this country. Is there such a plan? It is no use the right hon. Gentleman coming here and saying that so far as he is concerned he has no control over labour for the mining industry or that he has little or no control over labour for the agricultural industry or shipping. I should have thought that at a time like this the Ministry of National Service and the Ministry of Labour would have ample power to cover the whole of the labour requirements in this country instead of setting them up in watertight compartments as the Minister suggested is being done.

**EARL WINTERTON** I want to draw attention to the fact that we hear hardly any reference to the fact that France and Germany are mobilised up to the last child while so much of our man power is not being utilised. These very vital matters are hardly mentioned in Parliament or in the Press. From the right hon. Gentleman's speech this afternoon you would never suppose that there was anything to worry about in that respect. He tells us that in two or three years' time we shall have reached our maximum production. But a great deal may have happened before the next year is past. We do not know what may happen within the next month or two.

I do not consider that the total output of 40 000 from the training centres is anything like satisfactory. In fact, it is almost derisory. I should have thought that the number would have been more like 150 000 or 200 000—and that would have been hardly satisfactory.

In this matter we ought to have something in the nature of a voluntary "Derby scheme" applied to civilian labour. All over England men or women, however unskilled, provided that their hearts are in the right place and that they are good workers, should be asked to register if they wish to support the national effort, and training should be afforded to them at the earliest possible opportunity.

MR CLEMENT DAVIES. I find myself in complete agreement with the last words uttered by the Noble Lord the Member for Horsham (Earl Winterton). I am sure that he has expressed the feeling of all of us that there is too much complacency in the land, and, if I may emphasise the fact, that there is too much complacency on the Front Bench and a great deal too much smugness.

The right hon. Gentleman the Minister of Labour told us that he was about to deliver a balanced speech. I listened with very great care. It was an extraordinarily balanced speech. It reminded me of the kind of sermon with which the right hon. Gentleman and I are very familiar, in which the preacher having taken his text spends 95 per cent. of his time in explaining why he chose the text and giving the particular history of the writer of the verse, and spends only about 5 per cent. of his time in giving his message. Ninety-five per cent. of the time taken by the right hon. Gentleman was devoted to telling us of the problem with which he is faced and of the machinery which has been set up, but when it came to the question of what plan he has in his mind, either he has no plan, or he refuses to tell us what it is, and we are left in the dark.

MR. HORABIN. Where we to day, with little more than half the population of Germany, have, after eight months of war, more than 1,000,000 men unemployed, the Germans have an acute shortage of labour.

If the Committee will allow me, I should like to give some details of the German use of man power, because I think we can usefully apply some lessons that we can learn from them. The Germans have this acute shortage of labour in spite of the employment of women not normally employed in industry—since the outbreak of war 2,000,000 of them who were normally at home have been put into German industry—in spite of the labour imported from neighbouring countries like Italy and Hungary, and what is probably more important, in spite of a considerable lengthening of working hours in Germany. Moreover, whole categories of workers not normally employed in the production machine, like one-man re-tailers, shop assistants and so on have been forced into the German production machine. In Germany there is an acute shortage of labour to-day because every available hand is already employed in producing goods for war purposes, and the Nazi Government want to produce still more war material. Between 1934 and 1938



the number of workers employed in Germany rose from just under 16 000 000 to about 21 500 000 it rose by the enormous total of 5 750 000 workers and the majority of them went into the armament industry Then of course Germany has the enslaved populations of Austria the Sudetenland and the Czech Protectorate to call upon In addition to day Germany can take from Poland approximately 2 000 000 Polish workers without interfering with Polish production and now of course she has the Danish population to draw on as well

It is by this ruthless use of her man power for war purposes that Germany to-day is able to spend at the rate of £3 000 000 000 on her war effort We as I said can increase our war effort from £1 800 000 000 a year to at least £3 000 000 000 and the French can increase theirs from somewhere about £1 000 000 000 to £1 500 000 000 In other words while Germany is already almost at the peak of her war effort at a little over £3 000 000 000 the Allies England and France together can increase theirs by the overwhelming total of more than £4 500 000 000 a year by the efficient use of man power and of course the Empire comes in on top of that But how are we to do this? To my mind there is a long range problem the problem the Minister of Labour dealt with to-day and there is a short range problem It seems clear that during this summer we shall be engaged in a deadly struggle with Germany on the land on the sea and in the air and that means that there will be an insistent and increasing demand from all the Services for more and more supplies That is the short term problem—how to organise our man power quickly so as to provide those additional supplies in time The quickest way of all to my mind is to send as many of our fighting men as possible as quickly as possible to France so that the French can release more and more of their skilled workers from the line The machines are waiting for those men in the industrial parts of France and that will give the Allies the quickest increase in their war output

Then the Government in this country should make a quick survey of the whole of our available labour at present engaged in industry and of the whole of the productive machines available

That would show the productive capacity in this country here and now It would show I believe that the greater part of our total productive capacity in this country at the present moment is still employed on other than war purposes To free man power and machines for the purpose of winning the war means that civilian consumption must be ruthlessly cut to the bone There is no room for luxuries or semi luxuries to day The strict rationing of the civilian population in Germany is due not so much to a shortage of raw materials as to the determination of the Nazis to

use every available ounce of productive capacity for war purposes, and surely the democracies are as capable of sacrifice as the Germans in defence of their freedom and civilisation. The morale of the British people has always thriven on sacrifice and facing up to the facts. Such a ruthless cutting of civilian consumption will of course, entail much unemployment during the transitional period. Surely the answer to this is that many of the processes used in producing for civilian consumption can be quickly adapted to war purposes. I think the Government should face up to this situation by doing exactly what the Nazis do and that is by paying the workers full wages during the re training period.

War supplies must have first call upon the whole of our productive capacity. I agree with the hon and gallant Member opposite who said that export trade must come second. Exports cannot be cut they must in fact be increased because without exports we shall perish. The sacrifice must be borne as it will willingly be borne by the civilian population, who must and will accept ruthless restrictions of their consumption. In conclusion I am not going to say much about the long term programme because from what the Minister has said to day I believe that is largely in hand. It is essentially a programme of factory building and the building of machines with which to equip those factories. It involves bringing workers from outside the productive machine—from distribution women from the home black coated workers—into that machine and training them for the purpose and that I believe, is what the Minister has in mind. They must be trained of course not in tens of thousands but in hundreds of thousands. For this purpose the training centres of the Ministry of Labour as the Minister admitted are wholly inadequate. They will have to be trained as he told us by industry itself in the way the Germans are doing to day.

#### (g) *The Second War Budget*

*Above all it was in the Debates upon the second war Budget that the House revealed its mood. On the 23rd of April Sir John Simon, faced with a prospective expenditure of £2 667 000 000 introduced taxes to bring in the record amount of £1 234 000 000 and threatened further levies in the shape of a purchase tax and of a post war tax on capital increments. Yet in his speech he felt it necessary less to defend those high figures than to justify his refusal to adopt the drastic expedient of compulsory loans. And the criticisms which he had to face all insisted that his taxes and expenditure were too small.*

SIR JOHN SIMON

As to the problem that remains <sup>2</sup> every

<sup>1</sup> I.e. that of borrowing to close the gap between tax receipts and expenditure

thing depends on these three things—first the extent of the funds that become available for loans to the State—secondly the effectiveness of the appeal that is made that they should be so lent—and, thirdly the effective discouragement and prevention of undesirable private outlay from wages and other income. The immense expenditure which we are incurring in pursuance of our war effort is continually putting increasing sums into private hands and those sums if they are not squandered upon unnecessary consumption but are saved as they should be and lent to the State constitute a steady increasing fund of genuine savings from which central needs may be continuously replenished. The success of the recent £300 000 000 Loan augurs well for the future issues that we shall have to make from time to time. The success of this Loan is all the more significant because it was issued before Government payments had percolated through to the community to the extent to which this may be expected in the near future. It is quite true that there has been an increasing use of Treasury Bills during the past year but the quantity at the beginning of the year was quite unusually low, and there is still room for some further increase.

Lastly let me consider the quite remarkable success of the National Savings Campaign which was re-started in connection with the present war last November. Already in the first 21 weeks of this movement—less than half a year—no less than £131 849 559 has been invested in Savings Certificates and Defence Bonds. That shows the immense power of the small savings movement and the readiness with which people in receipt of very modest incomes are coming forward to support the finances of the State to the great benefit also of themselves.

Now I come to a matter which is very much in the minds of some of us. It will be noticed of course that the methods of borrowing to which I have referred are the issuing of further loans on the markets—the use of Treasury Bills—and the development to the very full of the small savings movement. They all depend on the voluntary action of the lender. Another method has now been put forward. It has been advocated by its author with much brilliance and persistence. According to this scheme despairing of the sufficiency of voluntary action we should supplement our system of taxation by a system of compulsory deductions from wages and other income. These deductions are described as 'deferred earnings' because the scheme is to provide for repayment some time after the war but the plan as it seems to me, is really a plan for a forced loan to be collected so far as the wage-earner is concerned by deductions effected by the hand of his employer.

I need not say that I have examined these proposals and several variants of them with the most anxious care. If they appeared to

be the best means, at this stage, of financing the war—still more, if they provided the only real solution of the very serious financial problem which we are facing—I should not hesitate to urge their adoption by the Committee. But I am far from being convinced that such a scheme has all the merits which in some quarters are claimed for it. Experience goes to show, in many cases, that the first effect of compulsion is to kill the voluntary method. (The reason why taxation is put on a compulsory basis is that so few people make taxation contributions voluntarily.) We should run the gravest risk of losing at one blow what the National Savings Movement has done for us. I would rather make it plain to the wage-earners of this country and to all others who can lend a portion of their income to the State, that, so far from having lost faith in their willingness to help the country at this crisis in our fate, we are confident that the response will be greater than ever.

I would advise the Committee therefore, to rely on the results to be obtained by stimulating to the utmost the response to our existing methods of borrowing. Why should we suppose that the willing exertions of our people, if properly roused and directed, will produce less result than if we attempted to apply a cast iron formula and compel our people to lend? Nobody is better qualified than the British trade unionist to know what is at stake, for the victory of Hitlerism means the end of Trade Unionism. Nobody has better reason than we who enjoy freedom to be willing to pay the full price necessary to preserve it.

**MR. GRAHAM WHITE** In war time one finds oneself doing strange and unaccustomed things. I never thought I should live to see the day when I would be questioning the wisdom of a Budget, on the ground of the possible inadequacy of the total expenditure proposed. I am not by any means convinced, however, that the general outlay of the Budget is such as will achieve the essential purpose which we must face at the present time. We must realise that we have not yet reached our maximum production, that the capacity upon which the civilian is able to draw is fixed and that we can only reach maximum production at the expense of somebody else. I come at once to that vast figure of £2,667,000,000 at which we are aiming. I am profoundly disquieted that that figure should be selected at all. It might have been better if the Chancellor had not taken any fixed figure. After all, what is this Budget for this year? It is not a normal Budget. It is, in fact, a profoundly important statistical review of the situation at the present time.

The Chancellor yesterday mentioned one condition on which the taxpayer would be willing to share the burden, and I will say a word about that later on. There is another condition which applies

and still many more outside who will have shared the disappointment just expressed by the hon Member for East Birkenhead (Mr White) at the general character of that speech. We were, I think, entitled to look forward to a statement which would have clearly and boldly indicated the measure of the effort imposed upon us if we are to win a war fought against an opponent whose whole economic structure is organised on totalitarian lines and organised for war. We might have expected at any rate some outline of the general prospective programme not only the programme for to-day or six months hence but for the duration of the war by which the Chancellor hopes to make his contribution to the achievement of that result. Instead he confined himself in the main to a forecast of what the Fighting Services might be likely to demand at their present rate of expansion, a rate which both the hon Gentleman and the right hon Gentleman who spoke for the Labour Opposition clearly showed to be inadequate and not to what ought to be our rate of expansion, how it might be raised through the pressure of taxation and in other ways.

More than once he referred to the fact that the figures he was introducing were unprecedented—that is to say unprecedented in our own history. I quite agree with the hon Member for East Birkenhead that that is really irrelevant. What is relevant is a comparison both quantitatively and relatively to our resources with the effort which France and Germany are making and last but not least, with the effort that we could make if we set ourselves to it and organised ourselves as we might. Let me take first of all the case of Germany. After all it is Germany that we have to defeat. Figures which have not been challenged or contradicted show that Germany is spending at this moment on war purposes alone something in the nature of £3 200 000 000 a year. We have been spending during the last six months at the rate of £1 500 000 000 a year—less than half. We are at this moment spending at the rate of £1 800 000 000 and all that the Chancellor hopes we shall be sufficiently well organised to spend during the coming 12 months is at the rate of £2,000 000 000—not so very much more than half. Even if you add the total effort of France and put it at £1 000 000 000 a year it is at most equalling what Germany is doing.

I need scarcely say how wholeheartedly I agree with the hon Gentleman the Member for East Birkenhead in saying that that policy will remain ineffective and in large measure stultified unless it is accompanied by some scheme of family allowances. To-day there are hundreds of thousands of children if not millions in this country who are not able even at the prices at which my right hon Friend keeps down meat and milk and certain other essential

commodities, to enjoy these commodities which are so vital to their growing health. Surely at a moment when we have all frankly to face bearing our burdens, all of us, every class, there is at any rate one class whom we want to spare, and that is the children, the hope of our future.

Whatever we can find by taxation, a vast balance remains to be found by borrowing. My right hon. Friend gave no definite figure yesterday, but taking the £100,000,000 that he has got from the 3 per cent. Loan, and something like £300,000,000 from foreign assets that he hopes to liberate, there still remains on his own figure a net £1,000,000,000 to be raised during the year, and possibly a good deal more—I would say, much nearer £2,000,000,000.

How are we to find this great sum by non-inflationary borrowing? Let me just remind the Committee what is the essential difference between a loan and a tax. In both cases the Government take a man's assets for no immediate, tangible, material return, and the immediate result, so far as the burden on the people and the effort of the nation are concerned, is exactly the same. There is no such thing as a "burden on the future" in borrowing, there is a burden on future Chancellors of the Exchequer in having to take money from one set of taxpayers in order to repay another set, but there is no burden on the nation as such. Where, however, the difference lies in the case of a loan is that the lender gets in exchange a legal asset, not a material asset, a claim on his fellow citizens for ultimate repayment and for a certain rate of interest meanwhile. Undoubtedly that enormously diminishes the hardship on the individual, and it is only because it does so that it makes voluntary lending possible, and even within certain limits attractive. What I would like to suggest is that that same reduction of hardship occurs also in the case of a loan even if it is a compulsory loan, as compared with a tax, for the man who is made to lend is given in return for the assets he has surrendered an asset which at some time or other will be fully repaid and which therefore has an immediate value. The fact is that compulsory lending is really a compulsory conversion at the bidding of the Chancellor of the Exchequer of one kind of asset for another.

Is that altogether a new principle? We adopt it to-day in the case of anyone whose assets happen to be dollar securities.

On the other hand, does it necessarily kill voluntary lending? In the case of compulsory lending the Chancellor can fix his own rate of interest. What will be the effect on voluntary lending at 3 per cent.—I understand my right hon. Friend does not want to go beyond that—if he announced that if he could not get the money he required voluntarily he would raise it compulsorily at 1 per cent. or no per cent.? I think he might find compulsory lending in the

background might be a stimulating influence on voluntary lending

I hope I shall not be doing an injustice to my right hon Friend if I say frankly that in my opinion at any rate he has failed to face or make the House of Commons face the scale of effort required or the drastic nature of the methods which will become necessary. It seems to me that his Budget is essentially provisional—a stop gap Budget, one that will not even stop this year's gap but will require to be supplemented before the year is over. I think there is still in it too much of the note of 'Sufficient unto the day is the evil thereof' and 'Time is on our side'. I think that in that respect his Budget has only reflected the general outlook and limitations of His Majesty's Government in the whole field of our war effort.

MR DALTON      The first thing which one notes as being absent from the Budget statement is any mention of equality of sacrifice. That phrase has gone out of use at the Treasury. We used to hear it but it was not used by the Chancellor on Tuesday. Although he spoke for two hours and some additional minutes that phrase was not used once and naturally so because in this Budget statement there is not the faintest pretence of equality of sacrifice being maintained. There are no increases at all in direct taxes having regard to the fact that the 7s 6d standard rate of Income Tax was announced six months ago as part of the Chancellor's intentions. There are no increases in the Surtax rates.

There is in this Budget no increase in the Death Duties in the National Defence Contribution or in the Excess Profits Tax, on the contrary there are concessions.

With regard to the proposal which my hon Friends have often put forward that in addition to these taxes there should be a special annual levy on capital to slow down the growth in debt that was not even mentioned in the Chancellor's speech as a matter on which he had been spending any thought. His only reference was to the war wealth tax to be imposed after the war about which I will say a word before I sit down.

I entirely agree with my right hon Friend the Member for East Edinburgh that this war wealth tax by itself is completely inadequate to solve the problems which we have in mind. It is merely a tax on new intruders into the old-established plutocracy. It imposes no burden on those who were already richer than they deserved to be when the war began. The burden is to be imposed merely upon those who during the war have increased their wealth. Though not rejecting it, as an element in a financial scheme suitable to be adopted my hon and right hon Friends hold that it is insufficient

to deal with after war problems. It was of this period that the Chancellor was speaking when he made his references to that matter. We hold the view that there should be a general capital levy imposed after the war in addition to the war wealth levy. I would even let the war wealth levy go if I could get the larger and more effective instrument of a general capital levy, graduated according to the wealth of individuals above a certain reasonable minimum—shall we say £5 000 or perhaps £10 000?—graduated upwards in such a way as to raise a sufficient sum to pay off in one operation the major part at least, of the dead weight debt, and thereby to cut out a mass of dead wood from the financial tree.

SIR GEORGE SCHUSTER. If one looks back on what has been said in the speeches to the Committee, I think one can gather two definite impressions. There has been general agreement in saying to the Chancellor of the Exchequer, first, 'We want you to spend the maximum you can providing that the money is well spent' and secondly 'We are prepared for even heavier taxation than you have proposed providing that such taxation is fairly levied.' I think that is a message which my right hon. Friend will not be at all sorry to receive, and he can be congratulated on receiving a response of that kind.

### CHAPTER III

#### GOVERNMENT ACTION AND PARLIAMENTARY ASSENT ONCE MORE

*In May a new Government came into office and immediately a change came over the House. Partly because many of the old critics were now in the Ministry partly because the Government began to follow the advice in which the House had been so generous criticism except on points of detail once more disappeared and the Parliamentary record of the following months was a record of Government statements received with approbation by the Commons.*

#### (a) *The Emergency Powers (Defence) Bill*

*The new tone was set by the short speech with which Mr. Attlee introduced on the 22nd of May a new Emergency Powers Bill that was passed almost without debate.*

THE LORD PRIVY SEAL (MR. ATTLEE). I have to inform the House that the present situation is so critical that the Government are compelled to seek special powers from the House by a Bill to



be passed through all its stages in both Houses of Parliament to-day. The situation is grave. Every hon. Member is fully aware of that; and also of the issues which are at stake. A great battle is now proceeding. Our men at sea, on land and in the air, are fighting with splendid courage, devotion and skill, in company with the freedom-loving people who are our Allies. The result of that battle we cannot know, but it must be clear to all that the next few weeks will be critical. Our ruthless enemy, who is restrained by no considerations of international law, of justice or humanity, is throwing everything into the scale to force a decision. We are resolved that he shall not succeed. The Government are convinced that now is the time when we must mobilise to the full the whole resources of this country. We must throw all our weight into the struggle. Every private interest must give way to the urgent needs of the community. We cannot know what the next few weeks or even days may bring forth, but whatever may come we shall meet it as the British people in the past have met dangers and overcome them.

But it is necessary that the Government should be given complete control over persons and property, not just some persons of some particular class of the community, but of all persons, rich and poor, employer and workman, man or woman, and all property. It is these powers for which I am asking the House this afternoon. I do not ask for them in any spirit of panic; there is no need for panic. I am asking that in this emergency we should be given the requisite powers that may be needed. . . .

I believe that at this critical time the vast majority of the people of this country will willingly give their services to the country, and will do all that is asked of them. We introduce this Bill not because we have any doubt of the willingness of the people, but because in a difficult emergency like this there must be the necessary power in the Government. . . .

. . . This is an enabling Bill under which Regulations can be made. I want to give an indication as to the sort of Regulations and the kind of control that may have to be exercised. Let me say that I do not want anyone to jump to the conclusion that all of a sudden everybody is going to be ordered to do something different from what he is doing now. The essential thing in an emergency is that everybody should continue at his job until he is ordered to do otherwise; but what is proposed is that there should be control over persons and over property. . . . The Minister of Labour will be given power to direct any person to perform any services required of him. That does not necessarily mean services in munitions or factories. It does not apply only to workmen. It applies to everybody. No one can tell what these days may

bring forth, or who may be required to dig defences or do anything else, but everybody alike must be under this control. The Minister will be able to prescribe the terms of remuneration, the hours of labour, and conditions of service. Remuneration will be on the basis of the remuneration for the job. If an engineer is asked to do engineering work, he will get engineer's pay. If somebody else is asked to do a particular job, he will get the pay of that job. If a professional man is asked to do his professional work, he will get his professional pay. If he is asked to do manual work, he will get a manual worker's pay. The general principle will be that of remuneration for the job.

With regard to conditions and pay, it is proposed that we should carry out, wherever they exist, industrial agreements which have been arrived at and wherever such agreements have not been arrived at, observe the rates normally paid by good employers. If there are cases in which people are asked to shift from one district to another, there should be payment to deal with things of that kind. There is power to inspect premises and to require employers to produce their books. The object is to mobilise the effective resources of the nation for whatever tasks may come upon us now. I said at the beginning that it was essential that this should be done but not because people are unwilling. I am convinced that the bulk of the work will be done with the good will of all and with the co-operation of organised labour.

Let me deal with a few points about control over property. Some establishments will be controlled altogether right away. Others may be controlled later. They will, in effect, be working on Government account. Wages and profits will be under Government control. The Excess Profits Tax will be at the rate of 100 per cent. There will be no profit out of the national emergency. Other establishments may be ordered to carry on and they may perhaps be ordered to carry on at a loss, but there must be power to carry on essential services and if people are put in a position where they are making a loss, they must have adequate remuneration in order to do their job effectively. The essential thing is that over a wide field—how wide one cannot say at the moment—industry will be carried on for the community in fact and not for private profit. There may be cases in which firms will have to close down and there may be destruction of property here and there. One cannot tell what will happen. There will be difficult questions of compensation. There will have to be full reconsideration of compensation, but in an emergency these things cannot be worked out precisely and, meanwhile, there will have to be interim compensation.

I have spoken of businesses, but it is not only industrial businesses

in the ordinary sense that will be or may be under control. It depends on what the Regulations will be. There will have to be control of the finance of the country and the banks. It may be done centrally; it may be if conditions require it that it will have to be done through regional commissioners and financial advisers but at the moment I cannot give more than an indication of the kind of action which may have to be taken. The point arises: Under whose orders are these things to be done? They are to be done under the orders of the Government. The order will be given by the competent authority and the competent authority in each case will be the Minister concerned with that particular national activity—the Minister of Labour for instance dealing with labour matters and the Minister of Agriculture with agricultural matters. If conditions enforce it control will have to be exercised through the regional commissioners but, broadly speaking we are taking control in a time of emergency, so that in the national interest we may utilise all our resources for the common weal.

Now let me take one part of the scheme which has already been worked out in detail. It is essential in this crisis that we should produce to the full all our essential munitions and the Minister of Labour has been given the responsibility of supplying the labour required for the programmes of the various Departments. He proposes to set up at once a Production Council consisting of representatives of the chief Government Departments concerned with munition supplies—the Admiralty, the Ministry of Aircraft Production, the Ministry of Supply, the Ministry of Labour, the Ministry of Agriculture and the Ministry of Mines. That Production Council will be presided over by the Minister without Portfolio, my right hon. Friend the Member for Wakefield (Mr Greenwood). It is proposed to set up a Director of Labour Supply with full time assistants drawn from trade unions and employers. There will be local organisations based on area boards.

MR J J DAVIDSON  
in it?

Will there be no Office of Works

MR ATTLEE: No but there will be full control of building operations. I am obliged to my hon. Friend. I am afraid I have had to deal with this matter at very short notice. It is essential that all building operations should be properly controlled, brought together and co-ordinated. At all important centres labour supply committees will be set up to organise local self help for meeting difficulties in the labour supply. It is proposed that firms should be grouped to secure the best utilisation of labour and to prevent waste. In certain instances there will be compulsory notification through the Employment Exchanges of all men who are 'stood

off ' or on short time Those firms engaged in munitions will be brought under control and will become controlled establishments My right hon Friend the Minister of Labour proposes to set on foot a bold and comprehensive scheme of training Training facilities are available under the Ministry of Labour and in the technical schools and so forth It is proposed, too where non-federated firms are standing out and not observing agreements, that they shall observe agreements

The essential thing at this time is to see that there is no waste of the skilled labour which is available and that there is the utmost co operation between all those who are working for the common end My right hon Friend intends to work in the closest co-operation with trade unions and employers' organisations It may be that cases will arise in which under this stress, agreements will be made to set aside, for the time being customs in industry that have previously been agreed between employers and employees It is essential that everybody who is engaged in this great effort should be satisfied that the rights which he has had shall remain alive and in being and it is proposed, therefore that there should be an addition to the Fair Wages Clause whereby employers who do not at the end of this war restore any customs or conditions which have been set aside for the war will be ineligible to come on the list of Government contractors [HON MEMBERS Permanently?"] Certainly, until they comply but I will deal with that point later I cannot now give more than a broad outline I have tried to give the House a picture of an immediate piece of work To show how immediate it is I may say that it is proposed that the Munitions Board should meet to night to get on with the job

I have only been able to indicate some lines on which action will be taken What other action will be taken must depend on how events move, but I cannot end without again stressing what I am quite sure is in the mind of everybody At this time everything for which we stand is in jeopardy—our political rights our rights of conscience, our industrial rights—and everything will go if we do not defeat the enemy I do not believe it is necessary to make a long appeal to the people of our country I am quite certain that everybody knows what is at stake, and that while these powers are necessary the real force behind us to day is the will and determination of a free people

#### (b) Munitions

*On the 27th of June Mr Herbert Morrison left the House satisfied that the Ministry of Supply was at last functioning with some success*

THE MINISTER OF SUPPLY (MR HERBERT MORRISON)  
Seven weeks ago, at the invitation of the Prime Minister

I took over the running concern of the Ministry of Supply. It is not for me to say whether the lay out of the Department was right or wrong but it was not my lay out. Moreover there were decisions in policy taken a long time ago which vitally affected supply and were not altered until the spring of 1939. That was the position when it was contemplated that we should send a very small expeditionary force to Europe in the case of a war and that being so it inevitably affected the whole structure not only of the Army but of the programme of supply. Clearly it is impossible at once to translate a change in strategical policy from a small army to a very large one because the planning, preparation and organisation of munitions production like all other production must need considerable time. It is in these circumstances that the Ministry of Supply itself began.

I want now to give the House what information I can as to the progress of production. I remember these processes of Ministers giving information as to the progress of production in earlier days. I remember the cross-examination through which they went. Fortunately I do not think that I undertook that particular cross-examination myself but this is the difficulty in which one finds oneself. One cannot give—ought not to give—specific figures of information and one must be exceedingly careful what information one gives. I am therefore going to give the House not over a long period but over a short period since the critical days which have come upon us some percentage figures which will give a broad indication of the kind of progress that has been made.

I will come to some of the points about these items later on but at the moment I will content myself by giving the percentage increase indicating the increase in the monthly rate of production in June over the monthly rate of production in April which is a very short period of two months. The increase in the output of cruiser and infantry tanks for June as compared with April—June being partly an estimate but one based upon fairly solid information—is 115 per cent more than double carriers 64 per cent. Coming to a wide range of guns—and it is best for us to take the matter in this way—the increase ranges from round about 50 per cent for two items up to as much as 228 per cent for another item. The small arms show increases ranging between 49 per cent and 186 per cent and ammunition of various kinds shows an increase in June as compared with April ranging between 35 per cent and 420 per cent. I think the House will agree that as far as these figures go that is an encouraging spurt in production during these critical weeks.

I do not ask the House at all to believe and I do not claim that

the credit for this by any means entirely belongs to me. It belongs to the spirit of organisation at the Ministry of Supply, and particularly it belongs to the fine response of the working people in industry who responded to the appeals of Ministers and, indeed, responded to the actions of Herr Hitler and the more serious situation in France. We have received the most cordial co-operation from the trade unions in all sorts of directions. We are grateful to them, and let me say that we have received co-operation and support from the active managements of industry, who are, of course, vitally important in this matter.

As one instance of the new spirit which one is trying to bring about, may I say that on 19th June only a week ago, I gave orders for very large quantities—millions—of a certain weapon. Already the output has reached nearly 250 000 a week, that is to say between four and five times the previous production and that output will grow. I think these facts are encouraging although the last thing I would wish the House and the country to believe is that things are satisfactory, and I am not going to say so. They are not satisfactory. They could not be satisfactory in the circumstances of the case. I can only say that they are coming nearer and nearer to being satisfactory as the days pass.

This is a big and complex Ministry taken over at a period of acute stress and strain, and I think the House will agree that there are two courses to follow in taking over a new Department. In the ordinary way, if things were quiet if there were no dangers ahead, we should be tempted to say—though I am not sure that I would agree—"Blow it all up and start all over again." I do not think there is a case for that being done. In any case it would be an impossible proposition in the circumstances in which we are met. One must, in all circumstances maintain continuity of production and keep the machine in being. Therefore, I have pursued the other policy. I have recognised that in many cases change, that is to say fundamental change would be almost impossible without endangering immediate production. There are, however, other cases in which change is so essential so vital, so absolutely necessary, that the risk of interference, for the moment, with production must be faced and accepted. There were two things in that direction in which fundamental change was carried through. One was the case of machine tools, to which I shall refer later, and the other was the case of tanks.

The problem of tanks has been this. In conceiving the strategy of the war we must again remember that until the spring of 1939 the whole thing was based on the idea of a small Continental Army, and the tank required for Continental warfare is different from the tank which is required for warfare somewhere

else. Consequently, there could not have been contemplated, in those circumstances, the actual circumstances of the war as they came about in the event. Moreover, this world is full of specialists and experts upon tanks. . . .

The truth is that there was no clarification of the idea of what tank we wanted, and, consequently, the list of tanks that we were making was a very wide list. Therefore, the Tank Board, under Sir Alexander Roger, made a recommendation which my right hon. Friend the Secretary of State for War and I thought was right, namely, that the military opinion as to what they, broadly, wanted in the way of a tank must come as far as possible through one focal point. That is to say, that we could not have a dozen voices about what tank was wanted, that there must be one voice about what tank or what three tanks we wanted. That principle has, rightly, been accepted by my right hon. Friend the Secretary of State for War, and a new Tank Board has been constituted. There will be, it is true, two representatives of the War Office upon it. . . . It will be for them, on the Tank Board, to speak with one voice as to what, broadly, the War Office wants—not as to design, because design will be with the Ministry of Supply, but the soldiers must say what they want the tank to do. Broadly, they will give a kind of functional outline of what the tank is required to do, and it will be for the technicians and engineers and so on to go ahead, to design it and to produce it in the quickest possible way.

Various people will be heard by the Tank Board, and I have asked them to move with all possible speed and to come to decisions as to a limited number of tanks, and then let us get on with them. You do not make a tank by giving the order for it to-day and getting the finished article next week. . . . It is a very big thing and from beginning to end, from the point of deciding what you want, to the point of getting the tank completed, quite a time is bound to elapse. Therefore, we had to consider what to do in the meantime. I asked my right hon. Friend the Secretary of State for War—there had been discussions with the Prime Minister about it—what were the best tanks which we were now producing, what were the really good ones which were wanted and would do the job. Having been told that, we are concentrating in the meantime on the greatest possible output of those tanks which have been proved satisfactory. . . .

There is another incidental point, not necessarily related to tanks, which I will mention at this stage. I told my people at the Ministry when I got there and the liaison officers of the War Office, that we must beware of over-elaboration of design, of frills, of fancy pieces which were not vital to the weapon doing its job. Moreover, I told them that we must seek standardisation wherever possible,

because that helps in large scale production and we must not worry too much, as the British have worried rather too much in the past about having everything finished to a fine point and with a beautiful polish. If the gun will shoot and shoot accurately, that is all we want. The nice little touches will not matter. That is the second case in which fundamental changes have been made as they have been made in the machine tool control to which I shall refer later.

During the past seven weeks there have been changes in the military situation and with each real change I have given instructions that the programme should be looked at again and if need be strengthened again in the light of the new circumstances. Three times I have given the order that the programme should be looked at again because in this war nothing stands still. This is a war in which revision and adaptability must be resorted to as and when the situation changes. It is not a static situation. We have concentrated, quite properly on immediate things and immediate production for the next few months but we will not forget the longer view, for we all hope that this period of the last few weeks will in due course change. Therefore we must think of long term policies and of offensives as well as defensives. First things must come first, but we are not forgetting the future. Very great attention has been and is being paid to the Area Organisation. To be quite frank, I was not convinced that the Area Organisation which has grown up in other circumstances was as strong, self-reliant and vigorous as it could be. One must be ready for the possibility that one might have to leave the Area Organisation 'on its own' in certain circumstances and be prepared for that time. The right thing to do is to find what can be done locally, what can be done swiftly, efficiently and properly and co-ordinate that with the central Departmental organisation of the Ministry, so that there is proper liaison, self-reliance and vigour both at the centre and in the areas.

Another point is that quick and easy mass production is not as easy as it was in the last war because mechanisation in military operations does introduce greater complexities into the kind of thing we want and skilled men and machine-tool men are even more important to-day than they were then. Moreover, we must not live in the last war too much. We have had great help from a number of people who had extraordinary experience in the vast operations of the last war, and I have consulted them. I will always be happy to do so because it would be exceedingly foolish to ignore the vast experience acquired at that time. But I am sure everyone will agree that perhaps there has been a little too much assumption that this war is like the last war. It is not it



is very different. I have met people who have said they did certain things in the last war but it was the kind of thing that has so changed now that I know they could not play their part in that particular job in this war. One must not assume that all the actualities of the last war are applicable to this war. Indeed the man I am looking for is the man to handle the next war rather than the last war although of course I very much hope there will not be a next war.

At the beginning of the life of this Government Parliament generously gave wide and sweeping powers over persons and property. They were extraordinary and extensive powers. The first Order has now been issued under Defence Regulation 54 (c) to control undertakings. There is a list of 1 500 to 1 600 firms under the control not only of my Department but of the Admiralty and the Ministry of Aircraft Production as well. Under that Order I am able to give fairly meticulous instructions to all sorts of people to do particular things. I can shift a management if it is incompetent and I will shift it if it is incompetent. I can give instructions that if things are being done wrongly they should be done right. On the other hand I will not use these powers in pursuit of any particular pet theory. Whatever is done by the Right or Left, I want production. That is the sole consideration. Where firms are efficient, competent and public spirited and where the native management is good I shall give them every freedom and elbow room so that they can work without hindrance. If these people do their job well, efficiently and economically and in the public interest I shall let them get on with it but if they play the fool with the public interest or are incompetent, I will be on top of them.

Action has been taken already in particular directions and I can give these instances. A firm engaged in the production of small arms munitions seemed unable to achieve the desired rate of output and an efficient expert was sent for by the Ministry from another firm. He overhauled the arrangements and the whole of his recommendations were carried out with the result that the output of this firm has already shown considerable improvement. In another case of a very important firm alterations to the management were made at the request of the Ministry. Partly owing to these changes the delivery of the firm improved by 35 per cent during a month.

The main elements of supply are raw material which is a very extensive function of the Ministry. I think the position can be described as broadly satisfactory but nevertheless I am having that organisation looked over to see that supplies are coming forward and also in regard to problems which arise on raw material organisation. The House will be glad to know that we have

recently placed very big orders in America and elsewhere for raw material, and the instructions I have given are that it is better to be on the safe side and have too much than run the risk of having too little. We must also face the consequences of possible siege conditions; all that must be taken into account. On labour supply, I have to express my appreciation of the work done by my right hon. Friend the Minister of Labour. He has been bold, imaginative and helpful. I am troublesome to him, I am running after him so much for labour here and elsewhere, and he sometimes runs after me when he thinks me worthy of consideration. There is excellent co-operation between us, and I feel that the new and developing organisation at the Ministry of Labour is going to be a factor of enormous importance in the problem of supply generally.

The third element is machine tools; and this element is of the most profound importance. The sources of supply of machine tools are those manufactured by machine tool firms in this country, second hand machines in private hands, which we must not forget, American and other foreign purchases of new and second hand machine tools, and, fourthly, idle plant. We are taking steps to comb thoroughly the resources represented by second hand machinery here and abroad. We are using to the full the sources of production in our own country, which is up to £15,000,000 per annum now instead of £10,000,000, a 50 per cent increase. This production is not as much as we want. The importation of machine tools from abroad, where we are buying on the basis that we cannot get too many, is £1,500,000 per month, not per year. As regards idle plant, it has been decided by the Production Council to take a census of the use of machine tools. There was a feeling that they are not being fully used, and if that is the case, it is a tragedy. This return will give information of the idle plant available, and instead of having to wait for me, I have delegated my powers to the Machine Tool Controller to requisition any plant which is now idle and capable of being put to effective use.

Our imports of munitions from the Empire and the United States are growing. We must not only manufacture the maximum munitions at home, our needs are so great that we must get the maximum also from abroad both because we need them on their merits and for purposes of insurance. Therefore, we have made a comprehensive programme of purchases abroad. In Canada the new department of munitions and supply is taking over the work which was formerly done by the Purchasing Commission in that country. . . In the new circumstances the Dominion Government preferred to undertake that work as a Department of State, and Canada is vigorously co-operating with us, and orders to the value

of nearly £5 000 000 have been placed in Canada in the last few weeks. Australia is sending immediately small arms munitions in large quantities from her own stocks of bombs, shells and fuses. The whole available surplus capacity in India has been taken up and the Indian Government are bringing into production various private firms. Very big things are being done in India and the most excellent spirit exists there while the Secretary of State for India has been actively in consultation with me on the matter.

The requirements from America fall into two classes—urgent and immediate requirements many of which are being bought from stock and include field guns, Thompson guns, magazines and ammunition together with rifles and machine guns. Wherever we can lay our hands on suitable existing weapons in the United States—that is the wrong word—wherever we can obtain them we are obtaining them with all possible speed and I have to thank the American authorities for their ready co-operation in the matter. We shall need also very large requirements in respect of machine tools and also in connection with our tank and gun programme. They are being dealt with by the Purchasing Commission in America, a highly equipped body which has appropriate contacts in the United States and is acting in conjunction with the Government of the United States. We must proceed on a long term programme in the United States as well as an immediate programme and that means that there must be co-operation with our Purchasing Commission for certain necessary adaptations of American industry.

I now come to the end of my statement on behalf of the Ministry. I want to thank everybody who has so generously helped the Ministry during its existence and during my tenure of office. I wish to thank the workers in the factories for their very high morale and conduct in periods of air raid alarms and warning. They have stood the strain with the very best spirit and with very great courage. We have experienced a very great loss of material and equipment in France which has added to our problem and to the needs of our programme. We have revised that programme. I think the account I have given of the work of the Ministry indicates that we are approaching our problem in the right spirit and in the right way.

### (c) Food

*On the 11th and 18th of July the Ministers of Agriculture and Food were able to convince the House that the food situation was in hand*

11th July 1940

THE MINISTER OF AGRICULTURE (MR R. S. HUDSON)

It is perhaps natural for people to compare at first glance the

position that we face to-day with that of the nation in 1917 but although it may be natural to do that it is very misleading and if the Committee will forgive me I should like to spend a little time to develop this aspect of the matter because I think it will enable us to understand and to see the problem in its proper perspective and to get a better idea of the means we have available and the methods by which we hope to overcome our present difficulties.

The food production campaign of 1917 had to be hastily improvised in order to meet a critical situation which I think it is fair to say had not wholly been foreseen. The campaign was conceived on very sound lines and it was carried through with the utmost energy. Inevitably it concentrated mainly on increasing the production of cereals and potatoes in order to save the country from actual starvation; it gave less attention than we should to-day to the problem of milk supply and it more or less ignored livestock. It did however achieve very notable results indeed. The right hon. Gentleman (Mr. Lloyd George) would I am sure be the first to admit that the condition of British agriculture that he found in 1917 was very different from what my predecessor had to face in 1938-39 or indeed from what I and my colleagues have to face to-day. Agriculture may not have been completely prosperous but it certainly was comparatively prosperous in the years before 1914. In the first months and years of the last war agricultural prices rose very rapidly and very considerably. The problem that the right hon. Gentleman had to face was really that of persuading the farmers of this country to change over from one profitable form of production in order to increase the production of other goods which were equally profitable.

The problem that we face to-day is very different, because farming, in the years immediately before this war both in this country and over a very large portion of the world was comparatively speaking, unprofitable despite considerable subsidies granted for individual products. Farmers and landowners had seen their capital steadily reduced in the years after the last war both by bad harvests and by poor prices, and in many cases by what I might call almost penal taxation. In addition to that, the Government, rightly or wrongly decided at the beginning of this war upon a rigid policy of price control with a view to preventing or at all events to minimising so far as possible any rise in the cost of living. Again before 1914 we had areas in this country which were engaged on mixed farming and very considerable areas were under the plough. By 1938 and 1939 large numbers of farmers in this country had forgotten how to plough. Many of those arable acres had gone down to grass and large numbers of producers, especially milk producers, were coming to rely more and more for their production upon cheap supplies of

little more detail exactly the sort of machinery which we have in mind in order to satisfy as far as possible the potential food requirements of the nation. First and most important of course, are the county war executive committees. These committees were set up by my predecessor and were given the task of obtaining an additional 2,000,000 acres of arable acreage. As I have already said the committees have achieved that aim and indeed a little bit more. Of course the problem which they have to face now is a very different one. It is very much more detailed and more difficult because although agriculture is essentially a long term programme the crisis through which we are passing inevitably means that we have to take a number of decisions at very short notice and we may very often have to start new policies in respect of particular areas or particular crops without any very considerable delay. It seems to me that it would be a great advantage if I could appoint a body of prominent individuals who would travel continuously round the country visiting these committees and who would be able to explain by word of mouth which is much better than by forms or documents to the various committees exactly what is wanted and why we are trying to do this that or the other and at the same time equally valuable to come back and report to me again by word of mouth what are the particularly new problems of this or that committee so that we can find remedies. I have called those gentlemen my personal liaison officers. Their names have been published and I think they command general respect in the farming community.

I have already said in a speech that I made the other day that this old idea—not a very old one—it is last year's idea—of equality of sacrifice would have to be abandoned. What we have to do now and what indeed we are doing, is to carry out a survey of each individual farm in this country with a view to seeing not merely how much extra food production we can get from the farm as a whole, but how much we can get from each individual field. It is quite clear that in some cases a man may be required to plough up very nearly the whole of his land and in another case he may be required to plough none—and therefore the idea of equality of sacrifice must go by the board. In order to enable the county committees to make that detailed survey it will obviously be necessary to strengthen the personnel and I thought that the most useful thing I could do would be to place at their disposal all the scientific technical and educational staff on which I could lay my hands. The idea underlying the survey is that each farmer's problem shall be discussed with him by the officer concerned and by the members of the district committee and that he shall be helped wherever possible to decide how his production shall be increased and as I said how the production of each individual field on his farm can be increased. In

our instructions to the county committees we have given them some general guidance as to the sort of methods we have in mind. In one case it may be a matter of increasing the arable acreage, in another case it may be one of the various methods of improving grass land and in another it may be both while in another case it may be a matter of bringing into cultivation derelict or semi-derelict lands. My committees have extremely full powers and they can, if necessary, take over farms. They can take over considerable tracts of country and they can take over individual fields of farms. I am pressing them to exercise those powers.

Mr. LAMBERT: Does the Minister propose that the war agricultural committees shall direct the farmer in what he is to produce in each particular field?

Mr. HUDSON: In certain cases, yes. Quite clearly what will happen is that the Ministry of Food will ask them to grow an increased acreage of some particular crop, potatoes, for example. Clearly that increased acreage of potatoes, if it is to be of any good from the point of view of increasing the total food production, must be a new and additional acreage and not merely an acreage with drawn from some other crop. As far as we see at present we shall divide up the additional acreage among the counties which are suitable for growing potatoes and where the farmers know how to deal with potatoes. It will be the task of the committee of allocating that additional land among the farmers and they will say to the particular farmers: You will grow a certain crop. I am glad that that particular point was brought up because it brings home to the Committee the enormously increased work which can be done and the necessity for my taking this technical staff away from the existing institutions, concentrating them on the job on the fields and trying to work out how they can best improve the land in a particular locality. I have gone round the committees and they have told me that the farmers, in the overwhelming majority of cases, have expressed their willingness to co-operate. A minority there is bound to be who refuse and who are not farming properly. In their cases the committee may have to take over the farms to find alternative tenants or to deal with individual portions of the farms.

I have said that this will involve a considerable increase in our arable acreage during the coming autumn and winter over and above the 2,000,000 acres increase obtained by my predecessor. That will involve considerably increased demands for labour and machinery. I will say a word more about labour in a moment. I referred earlier to some of the contrasts between the state of affairs in 1914 and to-day. In the last war it was calculated that there were between 300,000 and 400,000 more people employed on the land of

committees that the first resort of the good farmer is to the banks through the ordinary channels for additional overdrafts, and in the case of the farmer who is not credit-worthy, then the committee must make the fullest possible use of the existing agricultural requisites scheme. I propose to go a step further. I am going to introduce a Bill, I hope in the course of the next few days, to enable the county committees to serve a notice on a man to do a thing, and, if he does not comply within a reasonably short time, to go in and do the job themselves and recover the cost from the ensuing crop or otherwise. That power which they have not at present will extend to such diverse cases as that of the man who does not exterminate his rats or rabbits and to undertaking cultivation for a man where he is either unable or unwilling to bring the property or farm up to a proper state of cultivation. That ought to enable a great deal to be done. . . .

If further powers are necessary, we shall not hesitate to come along and ask for them. One of the other difficulties in facing the question of employing increased labour is the housing shortage. In a great number of areas, especially those which have gone down to grass since the last war, many of the cottages which used to exist have tumbled down or have been condemned, and there is a very grave housing shortage indeed. Even in those areas where numbers of men have been called up either as Reservists or as members of the Territorials, their cottages are occupied by their wives and families, and naturally are not available for any new labour that has to be introduced into the district. We have several schemes in view, in co-operation with my right hon. Friend the Minister of Health, to help to overcome this, details of which I hope to publish from time to time.

Another important item in our increased food production campaign is, of course, the provision of fertilisers. There we are very much more fortunate than we were in the last war. We have available many times more fertiliser than was then available, and in the case of lime in particular the supply is supposed to be unlimited. The right hon. Gentleman the Member for Carnarvon Boroughs will remember the great difficulty there was in carrying out the proposals in the last war to increase lime and how they broke down because of lack of labour and transport. But we have supplies at the present moment, and hon. Members will agree with me that it would not be in the public interest to disclose the exact figures. The point I want to make is, that although we have supplies in fairly big quantities, there is not enough, and we shall sooner or later—sooner, probably—have to decide what is the best use to make of these fertilisers. In particular, we shall have to weigh up the advantages of ploughing up more land and using fertilisers for that land against the increase

of food production that we should obtain if we used the same amount of fertilisers on land already arable, and which, in many cases, is at present below its maximum productive capacity. I want to say that because it imposes a limit to the amount of land that can properly be ploughed up. There is a very great increase in ploughed-up land, but the total is not susceptible of unlimited use.

Then there is the large and important problem of drainage . . . Included in the Bill to which I have already referred will be provision to enable a grant to be made of 50 per cent. of the cost of tile drainage up to a maximum of £7 10s. an acre. County committees have already been authorised in anticipation of Parliamentary sanction, to go ahead with the making of the necessary preliminary arrangements in all cases where the installation of such drainage would be of advantage to the production of the crop next year.

To sum up, agriculture at the beginning of the war was undoubtedly in a much worse and more enfeebled state than it was in 1914. The first step towards its recovery and increased production, namely, the ploughing up campaign of 2 000 000 acres, has successfully been taken, but in the meantime the crisis with which the nation is faced has become immeasurably more serious and will undoubtedly provide us with a large number of new problems. At the same time it also involves considering first things first. The real thing that matters is this winter and 1941. And the test, I suggest to the Committee, that we have to apply to every proposal is 'Will it result in an increased crop next year?' It is no good talking about what the crop will be in 1942 or 1943, but what will be the crop in 1941? Agriculture is in its essence a long term proposition, and we shall undoubtedly have to take in the course of the next few months many steps which are uneconomical and which indeed are unwise, from the long term point of view, but which are forced upon us by the inescapable necessities of the situation with which we are faced. We shall have to give detailed guidance, and detailed directions in many cases to the farmers what they are to produce and what they are not to produce. We shall have to provide the farmers with the necessary means and with the necessary incentive. We shall have to provide them with the necessary labour and machinery. We have in the last few weeks, I hope, cut red tape, and cut out delay repeatedly. We have given the county executive committees in the course of the last few weeks many additional powers, and we are giving them everything naturally for which they ask. We are putting resources at their disposal and if there is still anything left that we think is necessary, I shall not hesitate to come down and ask this House for the necessary powers. I am certain, taken by and large, we shall get the necessary response from everyone concerned, whether he be landowner, farmer or farm worker.



Agriculture is my opinion as a layman who has taken a certain amount of interest in it as an observer has been recovering during many years from a generally widespread belief that British agriculture had failed and would not do more than provide a very few weeks supply of food and that taking it by and large it was not worth spending a great deal of trouble on it. But now a real crisis faces us and agriculture at last has its chance. We have to-day sufficient food supplies but we are still importing food and I hope will still continue to do so but we must insure ourselves against our present importation programme being stopped by enemy action and the only way to do that is by increasing domestic production. Tens of millions of people on the Continent of Europe will face in the next few months the danger of starvation. Many millions may well perish but British agriculture with modern methods modern machinery modern science and the necessary enthusiasm and drive can and will play a very large part indeed in saving the people of this island from suffering a similar fate.

18th July 1940

**THE PARLIAMENTARY SECRETARY TO THE MINISTRY OF FOOD (MR. BOOTHBY)** The main function of the Ministry of Food as I conceive it is to ensure that there is an adequate supply of essential foodstuffs available for all classes of the community at prices at which they can afford to buy those foodstuffs. I shall endeavour this afternoon to show that we are discharging that function and in order to do this I shall have to give some account of the nature and scope of the work of the Ministry.

First and foremost we are a very large business undertaking. Our trading accounts amount to nearly £600 000 000 per annum. The operations of the Ministry fall into four main categories. First we control imports, second we control practically all essential foodstuffs produced at home, third where necessary we ration the distribution of foods to individual consumers and fourth we regulate the prices at which foodstuffs may be sold so as to avoid wherever practicable, profiteering and undue rises in price. I propose to deal with those four main heads as briefly as possible.

With reference to control of imports hon. Members may not realise that nearly 90 per cent. of this country's imports of human and animal foods are purchased by the Ministry of Food. This makes us by far the biggest international purchaser of foodstuffs in the world. In normal times the United Kingdom takes nearly the whole of the world's chilled and frozen meat exports. Under present conditions we are far and away the largest buyers of cereals, sugar, dairy produce, oil, seeds, cocoa and fruit. The planning and execution of these vast trading transactions has proceeded with

astonishing regularity and smoothness, with the result that speculation in overseas sources of supply, and competition for shipping space, have been almost entirely eliminated. Speaking generally, we have been successful in purchasing our requirements overseas at comparatively little above pre war prices.

Nevertheless by the time the cargoes are landed in this country, their costs are inevitably a good deal higher than the pre war figure. The reason for this is the very substantial rise in the cost of transport and marine insurance which we have had to face and also the fact that we are also maintaining stocks on an entirely different scale from anything that the food traders of this country would normally consider necessary. This of course involves additional charges for storage. Even so the rise in the price of imported foodstuffs has been small as compared with anything that we experienced in the last war. From such study as I have been able to give to the subject I feel justified in saying that I do not anticipate any further substantial increase in the landed price of our food imports.

tional land under the plough but the benefit of this will not accrue until the second year of the war. Meanwhile the Cabinet Food Policy Committee of which my right hon. Friend the Lord Privy Seal is chairman is actively engaged in co-ordinating the home production policy for the second year of the war with the Ministry of Food's import programme for the same period. We recognise the vital importance of increasing home production. It is an insurance against unknown risks in the future. From our point of view it is very desirable that this production should give priority to milk and also aim at a greatly increased production of potatoes. During the last war fresh milk became scarce and consumption fell. We are determined to do everything in our power to prevent this happening during the present war.

I should like now to say something on the subjects of oats and meat. Owing to the absence of control over the price of home-grown oats and the shortage of other feeding grains the market price of oats rose steeply during the autumn of 1939 with the result that the price of oatmeal rose to £30 per ton ex mill in January last. By means of a maximum price order we have forced the price down to £22 per ton at the present time but a higher maximum price has been authorised for the 1940 harvest. In view of the inevitable shortage of feeding stuffs the probability is that oats will fetch a good price on the open market for feeding. An order to control oatmeal prices is now being drafted but even with the higher prices for oats which are before us I can give an assurance that oatmeal prices will be substantially lower than they were last January. As far as meat is concerned a considerable part of the increased wages which have now to be paid by the farmers will come out of the substantially increased prices of livestock. Some of this must inevitably be passed on to the consumer. Subject to this however it is the policy and intention of the Ministry of Food to secure adequate supplies of meat for the masses of the people at reasonable prices and we believe we can do it. The scientists tell us that meat has no great nutritional value. That may be but it has a great psychological value. The people like meat; it makes them happy. We shall therefore do our best to see that they get it.

I come now to rationing. Food traders generally are strong advocates of rationing. It simplifies their problem and is from their point of view very convenient but it is not so convenient for the consumer, unless there is a very considerable shortage of any commodity which has not happily hitherto been the case. We are now using the rationing machinery not so much to ensure the equitable distribution of commodities which are in short supply as to enable us to maintain or increase stocks for the sake of security in the future—and I may add in the immediate future. This applies

particularly to the recent decision to ration tea, margarine and cooking fats. There are those who attach so much importance to equitable distribution, that they advocate a large extension of the list of commodities now rationed. I do not share this view. Rationing is a rigid, arithmetical and somewhat inhuman way of allocating the food of individuals. It takes no account of individual tastes. For example, one person likes coffee and another can only drink tea, nor does it take account of the fact that one worker may have the advantage of obtaining his or her principal meal of the day in a canteen whereas another may have to take every meal at home out of rations.

● We have tried in every possible way to reduce inconveniences and irritations in the rationing system and I must ask the public to bear existing restrictions with fortitude in the interests of national security. I am afraid that the tea ration had to be very suddenly imposed but the reason for this is obvious. It successfully prevented any hoarding or unnecessary purchases on the part of the public which would have defeated the object we had in view. But I can hold out a very definite hope. If, as we confidently expect, the enemy's threatened attack in the next two or three months upon these islands is defeated, our supply position should enable us to increase the distribution of both tea and sugar and perhaps even of fats during the winter months. My noble Friend has asked me to give the House the definite assurance that this will be done if circumstances permit. Meanwhile we are very grateful for the attitude of consumers generally.

The fourth point I wish to mention is price regulation. The control of the price of home produced supplies is of course very different from that of imported foods, and much more difficult. In overseas markets we are now the only important buyer and we have pressed upon us from every quarter of the globe supplies greatly in excess of what we are able to bring to this country. In the case of home produced supplies the position is exactly the reverse. For reasons of security we have to increase production in this country by bringing additional land into cultivation, by improving the lot of the agricultural workers, and by securing to the farmer a reasonable return for his produce. All this means rising costs and the public must therefore be prepared to face increases in the price of potatoes, of milk, of eggs, and of home produced beef and mutton. In one other respect home production is also very different from imported supplies. Home produce finds its way into consumption in small lots. Farmers will market one or two head of stock each week or a few dozen eggs.

It is extremely difficult for the Ministry of Food to control adequately home-produced supplies. That is the reason why

experiencing at the present moment such very considerable difficulties with regard to the price of home produced eggs. Some poultry keepers supply eggs direct to the consumer others to the retailer others to packing stations or wholesalers some producers in short dispose of their produce partly in one way and partly in another. And all this makes the price control of home produced supplies one of extreme difficulty. In the case of livestock we have overcome these difficulties by the Treasury itself becoming the sole purchaser of all fat stock after it leaves the farm. It is however quite impossible for the Ministry to administer a similar scheme with regard to such commodities as strawberries or blackcurrants or home produced eggs. The experience of the last war and the experience of the last 10 months go to show that it is extremely difficult to impose effective control over prices without securing control over supplies and it is much better that the House and the country should face up to that fact.

The broad principle upon which the price control of the Ministry is administered is to maintain as far as is practicable competition between members of the food trades. We do not prescribe fixed prices. We prescribe maximum prices and in a considerable number of commodities goods are sold at less than the maximum price as the result of the competition that still exists between one shop and another.

MR G. GRIFFITHS: The maximum becomes the minimum.

MR BOOTHBY: No, Sir. I think not or very seldom and we hope for decreases rather than increases. We are carrying out a number of experiments in this connection in price control about which I am unable to speak with confidence at the moment because we have not been able to see the results but which I hope through the existing competition will have a very beneficial effect. In this connection I would like to draw special attention to two arrangements which have been made. First my Noble Friend asked for an assurance from the bakers that the price of the 2 lb loaf would not be increased for a period of three months during which an examination of the possibilities of reducing costs of production and distribution would be made and he undertook to give them his full support, by Order if necessary in bringing about such reduction. This assurance was readily given and the price of the 2 lb loaf remains at 4d.

The second is the arrangement which has been made for the use of the existing machinery of inquiry through the Price Regulation Committees set up under the Prices of Goods Act in respect of those prices of which are not controlled by us. The arrangement, which is in course of elaboration is that the Local Price Regulation Committees should be appointed as Food Price Investi-

gation Committees by the Ministry of Food and given powers by us to examine books when necessary. In this capacity they will report to the Ministry of Food and not to the Board of Trade.

So with a view to keeping down the cost of living and maintaining the prices of certain articles of food at reasonable levels, the Government pursued a subsidy policy throughout the present calendar year regarding which the House will wish to have some information. In the case of bread and flour the present rate of subsidy is approximately £590 000 per week. In the case of home-produced meat the subsidy is now at the rate of £315 000 per week, and bacon is subsidised to the extent of £100 000 per week. These three subsidies amount to approximately £52 000 000 per annum. All liquid milk was subsidised for the first three months of this year. The subsidy was also paid during the month of June in order to provide further time for a detailed examination of the means that should be adopted in order to make the Milk Fund self-supporting. Increased prices for milk were brought into operation on 1st July since which date the subsidy on milk has ceased except for the scheme for the provision of cheap and free milk for nursing and expectant mothers and for school children to which I shall refer later. The estimated cost of the milk scheme is £7 500 000 per annum.

I turn now to the stock-position. It would not be in the public interest to give detailed information about this, but one of the principal anxieties of the Ministry has been to build up adequate stocks of food in this country and to secure that they are as widely dispersed as possible. Prior to the outbreak of war certain essential commodities were stored on Government account. But if it had been possible for the enemy to blockade this country in the early days of the war our stock position at that time would undoubtedly have rendered us vulnerable. For example, there was no national reserve of cereal feeding stuffs, and up to the middle of December arrivals were very irregular owing to the change of shipping programmes to suit maritime conditions. Consequently there was an acute shortage of cereal feeding stuffs at the end of the year, but since then there has been a considerable improvement. With regard to the wheat reserve, a substantial part of which has now been converted into flour stocks, it is now sufficient to enable us to carry on for many months even in the unfortunate and unexpected event of heavy losses at sea.

This much I can say. The command of the sea, which has been maintained by the Royal Navy every day and every hour since the outbreak of war, has enabled the Ministry to build up stocks of practically every essential commodity to the point that should we be faced in the near future with delays in the arrival of any ships, the nation need have no serious anxieties. Whatever the future may

hold in store we in the Ministry of Food must assume that the main enemy attack will fall upon our shipping and upon our ports. We are going to ensure adequate supplies of essential foods to the people of this country whatever may befall and we are confident that the arrangements we have made for their distribution in the event of an emergency will stand the test. These arrangements are based upon the principle of decentralisation and upon the maximum possible distribution of stocks throughout the country.

There remain two subjects to which I desire to make special reference this afternoon—milk and bread. As regards milk a scheme of the utmost importance was introduced at the beginning of this month. Any expectant or nursing mother and any child under school age can now obtain for the asking, milk at 2d a pint. It is scarcely possible to exaggerate the importance of this scheme. I regard it as one of the most notable measures of social reform which have been carried through in recent years and I think that perhaps inevitably owing to the course of recent events the country has not yet fully appreciated the importance or magnitude of this scheme. As I said just now it will cost £7,500,000—that is the estimate—per annum. It has taken a world war to make our dreams come true.

We hope some time with the co-operation of the President of the Board of Education to achieve a considerable extension of the milk in schools scheme whereby every child in this country from birth to adolescence will be able to obtain a liberal supply of what is by common consent the most valuable article of food from the nutritional point of view. I must add in dealing with this question, that we are far from satisfied with present distributive costs. We have appointed a committee to examine this question, and we shall not hesitate to take any action however drastic that may be considered necessary in order to deal effectively with the matter.

With regard to bread nutrition experts have stressed the importance of wholemeal bread as compared with white bread. A number of enthusiasts have criticised my noble Friend for continuing the production of white bread in wartime. There are however two important reasons why we have not suspended the manufacture of white flour. The first reason is quite simple and one of which many enthusiasts do not think. It is that the great majority of consumers in this country much prefer white bread. Some people may say that this matter is not important and that if high extraction flour is better for the consumer, he should be required to eat it whether he prefers white bread or not. Personally I do not accept that view. I think the Government were justified in paying some regard to the views of the people in a matter which so closely concerns their daily lives and may have such a great effect on their daily happiness.

The second reason why the manufacture of white bread is not being suspended is of the utmost importance at the present time. For reasons of security we have not only increased our stocks of wheat in this country, but we have greatly increased the proportion of our reserve, which we hold in the form of flour. Let me explain the reason. Wheat cannot be consumed by human beings until it is milled and, therefore, it is wasteful to store wheat in this country unless it is in reasonable proximity to the mill. As the greater proportion of our milling capacity is at or near our ports, to keep a large proportion of our reserves would be definitely dangerous. Flour, on the other hand, is immediately available for human consumption and our flour reserve can be and has been widely dispersed over the United Kingdom.

It is of course essential that this reserve should be turned over from time to time in the ordinary way of trade to prevent it deteriorating but obviously the longer flour can be kept in good condition, the greater the quantity we can keep and the larger becomes our security stock. The keeping qualities of white flour are definitely greater than the keeping qualities of high extraction, or what is called wholemeal flour. For reasons of security we therefore consider it essential to keep our reserve in the form of white flour. The main objection to white flour is that it is lacking in the vitamin content of wholemeal flour, and this is a difficulty we intend to overcome by fortifying white flour with vitamin B1. In addition we have decided to introduce into the loaf a small quantity of calcium salt. It will take some months, however, before there is a sufficient supply of B1 to fortify the entire bread supply of this country, but when that time arrives the public will be given a choice of fortified white bread or wholemeal bread at the same price, and each consumer will be free to purchase bread of one kind or another as he wishes. This is an unprecedented and indeed a revolutionary step from the nutritional point of view and will certainly attract world wide attention. In conjunction with our national milk scheme, it will in my opinion lay the foundations of a nutrition policy which will not only have a permanently beneficial effect on the health of our people but will also be hailed by scientists all over the world as a great advance on what has hitherto been achieved in the country in this field.

Last, but not least, we propose to extend communal feeding where this is desirable and practicable. We shall begin with factory workers, and my right hon. Friend the Minister of Labour is working on a survey of their requirements all over the country, and we shall try to meet the need wherever it is found to exist. At the same time we are surveying all existing catering establishments in order to obtain information regarding premises and equipment. The case



of evacuated children, too, is being actively considered at the present time. I want to make it clear that we are not cranks at the Ministry of Food and do not intend to be regarded as such. Our "kitchen front" campaign for simpler food and simpler cooking is not a scientific stunt; it is plain common sense, and its success will contribute to the health and happiness of our people. Food does not sound a romantic subject, but nevertheless the creation and development of the Food Ministry . . . since the war began is a romance, however inadequately I have tried to describe it to the House. It is not only a business organisation; its activities touch the life of every citizen in this country, and scarcely a day passes without our having to consider some problem that affects everybody. In war, food is a most fundamental and most decisive factor. If food goes, everything goes. With food, all things are possible. I believe the Ministry which I have the honour to serve has a great part to play in the critical life which lies immediately ahead. I also believe that we shall not fail the nation, and if we do not fail; then our contribution to final victory will not have been unworthy or insignificant.

#### (d) Trade

*On the 30th of May Sir Andrew Duncan was reassuring about trade.*

THE PRESIDENT OF THE BOARD OF TRADE (SIR ANDREW DUNCAN): I am very conscious of the deep interest which hon. Members in all parts of the House have been taking in the development of the export trade, not only as a means for conserving and adding to our financial resources, but also as a means for laying a real foundation for the post-war activities of our industries. I think it would be wise that I should deal to-day with those aspects of the Board of Trade work which bear upon the export problem. . . .

On the Export Council, to which I shall refer later, we have representatives—highly placed officers—of six Government Departments. We have the Treasury, the Foreign Office, the Ministry of Economic Warfare, the Raw Materials Section of the Ministry of Supply, the Ministry of Shipping and the Economic Survey. . . . In addition, the Board of Trade are kept in the closest touch with the purchasing programmes of the Ministry of Food and the Ministry of Supply, as well as with the purchases which the Ministry of Economic Warfare may make for pre-emptive purposes. In this way our buying power is brought to the aid of our export possibilities as fully as it can be within the limiting factors which . . . bound to surround these purchases in war-time. In present circumstances exchange and economic warfare questions enter so much into the field of trade agreements, which normally is in the.

province of the Board of Trade, that close inter departmental contact with the Treasury and the Ministry of Economic Warfare is essential

Whatever may be the exact nature or form of these trade agreements—and they cover a very wide field to day—it is the duty and the function of the Board of Trade to see that sterling credits are earmarked to the fullest extent for expenditure in the United Kingdom and the sterling area, and that imports are, as far as possible, paid for by increased exports, visible or invisible. But our liaison arrangements go further still. We have the closest arrangement with the Ministry of Supply, particularly in regard to the raw material controls. These arrangements enable us to ensure that where necessary the raw material requirements of the export trade shall be given precedence over less important home civilian requirements and indeed that export trade shall be given fair consideration in relation to Service requirements. There is a priority organisation to which we can appeal. Under these arrangements too, the Board of Trade are enabled to guide the raw materials into the more highly finished products for export. Processing and manufacturing add to the value of the raw materials, and in our exports our aim is to secure the highest possible exchange value. Inasmuch too as the Board of Trade administer both import and export licences they are in close liaison with both the Ministry of Supply and the Food Ministry.

The main purpose of import restrictions is to conserve our resources of foreign exchange and shipping by restricting our purchases from overseas of non-essential and of luxury goods or goods of which we have sufficient supplies at home. It is our general policy to grant licences freely for raw materials or for goods which are being imported for the purpose of being processed or manufactured into the more highly finished goods for export and which cannot be obtained here. There has been throughout these liaison arrangements and in the work of the Department generally a constant preoccupation that our machinery should be so fashioned and adapted that we contribute to the utmost extent to the enlargement of the scope of opportunity for the export trade. We have made it equally our constant pre-occupation that we should maintain and develop that sympathy and understanding with the trading community without which it would be quite impossible for us to achieve the maximum of export trade and in February last, as the Committee knows, we set up an Export Council. On that Export Council, besides the Departmental representation, we have industry, commerce, labour and banking all represented and two of the textile controllers as well. The day-to-day work of the Council is carried on by an Executive Committee, consisting of the business members of the Council, who are giving their full time voluntarily to this

service Already we have 120 export groups and added energy has been imparted to the conduct of the export trade both in manufacturing and in merchanting

Within the Board of Trade the executive members of the Export Council have at their disposal the services of the Industrial Supplies Department which my predecessor set up in November, and the Overseas Trade Department. In addition they have the services of Board of Trade representatives on the Area Supply Boards in the provinces—these representatives are also experienced business people who are giving their time voluntarily. The export groups form the channel of communication between individual firms in industry and the Export Council and through them all problems relating to the allocation either of raw materials or of plant capacity are dealt with. They also consider in general the needs of any section of industry in relation to labour supply. The groups have been of great assistance also in helping to concentrate the export of raw material in the form of more highly finished products rather than in the form of less manufactured products and they have co-operated very fully indeed in directing production towards export rather than into the home market, even though the export trade has in some cases been unhappily much less profitable.

It is true to say that for the most part there are ample markets available in the export field and we have had the fullest support of national trade organisations in urging upon the commercial community the need to quote firm prices wherever possible. It is recognised that in certain sections of industry the price element is becoming of growing importance and that concerted action will need to be taken—I refer in particular to the cotton industry—to assure the exploitation of markets to the fullest extent. This is a matter to which the executive members of the Export Council along with the Cotton Board and the cotton industry are giving immediate attention. The solution of commercial problems must vary from industry to industry but I believe that in the machinery which we have evolved and are evolving appropriate remedies bearing on what are essentially practical problems can be found and will be found.

To-day the Overseas Trade Department is working as an integral part of the Board of Trade organisation. With its contacts throughout the world and with the reports received at short intervals from its officers in every part of the world it is able to keep the export groups in touch with broad general trends. It has also negotiated simpler procedure for facilitating visits of business men and commercial agents abroad from this country and to this country from abroad and it has helped to reduce the delays in the censorship of business correspondence catalogues and samples. The Depart

ment have taken the opportunity of the continuation of the New York World's Fair greatly to enlarge the exhibit of British Products in that Fair so that it now includes practically every product that is exported from this country to the United States

In the sphere of financing export trade the Export Credits Guarantee Department have enlarged the facilities available to the business community in respect of the greater risks that arise in war time. A new transfer risks policy has been issued expressly covering the risk of non payment owing to war or other catastrophe developing in the buyer's country. The proportion of the transfer of risk which the Department guarantees is 90 per cent. Apart from risk of non payment for goods delivered there is of course the further risk that arises of loss to the exporter in respect of goods that are completed or partly completed and cannot be shipped because of some catastrophic development in the country that would have taken them and here again it has been decided that a new form of policy shall be made available as from to-morrow. With these pre-shipment risks covered I think it can now be said that this far-reaching scheme of insurance should enable the exporters to accept export orders with every confidence since practically every contingency arising outside the United Kingdom is covered.

There is another aspect of our policy to which I must refer. In April last the Board of Trade issued an Order restricting the quantities of cotton rayon and linen made up goods and piece goods which could be supplied to the home market. The restriction was designed to help our export trade in those products by withdrawing raw materials from home purposes. Manufacturers of piece goods and makers up of garments have co-operated both individually and through their organisations in making that scheme a success. This limitation Order was intended only as a beginning and it has been generally recognised that restriction of other products would be necessary. The emergency which has now arisen makes it imperative that home consumption should be reduced further than would have been necessary by reason only of the increase in export trade and in any further action now to be taken this aspect will be borne in mind.

same level that they had attained in the corresponding two months of last year and in the months of March and April our export trade approximated to within 2 per cent in volume of the export trade that had been done in March and April of last year. These are very encouraging figures keeping in mind the fact that owing to the extent to which the heavy industries are engaged in war work, the great metal groups of our exporting industries cannot play their normal part at the present time in the export field. It means that there must have been a very considerable speed up in the export of other commodities. During April in value cotton goods reached their highest figures since 1937, woollen goods, other textiles, pottery and glass had higher exports than for at least 10 years, cutlery, hardware, electrical goods and apparatus, chemicals and drugs had higher exports than they had had for 20 years.

The Committee will no doubt have in mind the fact that the situation with which we are faced in the export field is not static. With the invasion of Norway and Denmark, and the consequent inaccessibility of the Baltic trading area which includes Sweden and Finland, we lost markets which represented 10 per cent of our normal exports. With the further invasion of Holland and Belgium we have lost an additional 5 per cent. It is quite true that these same events afford us still greater opportunity in other markets, from which the invaded countries are themselves excluded but the switch over takes time even if it can be done 100 per cent. Unfortunately even more serious modifications and adjustments in our export position are called for by the necessity for the country to meet the fullest onslaught of the enemy now. What is appropriate to a long term plan when the maximum effort is to come at a later period in a long war is not appropriate when you have a short term policy or when the maximum effort must be made immediately. Every resource must now be concentrated upon the immediate production of armaments which are so urgently required. Just as there will be alterations of programme within the field of munition production itself so we must be prepared to turn a great deal of the effort which is now engaged in the development of export trade into making munitions at home. On the other hand efforts must still be more intensified in connection with exports where skill and capacity are specialised to a particular end and cannot be diverted to munitions and also where we have raw materials under our own control as in the case of coal. I hope that such steps as my hon. Friend will be able to take will result in such an increase in the production of coal that we shall be assured of developing the markets which we have had in the past, and which we hope still to hold. The time has come when neither our capital resources nor exportable goods can be used for purchasing imports for home

consumption beyond the absolute necessities of our population. Apart from the need for directing the present export drive to some extent into munitions production we shall need to direct material and labour from the production of goods for unnecessary consumption at home into the production of goods for export. Fortunately for the orderly rearrangements which we need to make in the export drive we have available the efficient and flexible machinery of the Export Council and the export groups. Full use will be made of that machinery so that we may be sure that however we may need to withdraw here and expand there for immediate war purposes the ultimate expansion of our export trade all along the line will be assured both as a war measure and as a foundation for national recovery after the war. I make no apology even in the situation of to-day for emphasising still the need for concentrating on export trade where that can be done without endangering our efforts in the war. I hope that as this Committee has given its support in the past so it will now to the development of our export trade and that throughout the country the manufacturing and industrial community will realise that, in so far as they are not engaged in armament production the onus is placed upon them now no less than it has been hitherto of prosecuting our export trade to the utmost extent.

(c) *Labour*

*The fall in the unemployment figures and Mr. Bevin's plans for training left the House more satisfied about the labour problem*

8th August, 1940

**THE MINISTER OF LABOUR AND NATIONAL SERVICE**  
(MR. ERNEST BEVIN) I am glad to have this opportunity of making a statement on the subject of the need for an increase in the number of skilled workers and the expansion of training. There does appear to me to be a lack of appreciation in industry generally of the enormous need for a rapid expansion of training to meet the requirements of the expanding programme of munition production and the maintenance of a satisfactory export position. In this field it must be recognised that the enemy has paid special attention to this problem and if the Services are to be fully equipped and the necessary exports maintained then the whole of industry must devote more attention to this problem. Up to the moment, so far as training in the workshops is concerned we have adopted the methods of persuasion and this was necessary because we had to meet the urgent demands made upon industry by the exigencies of the war and the re-equipping of our Forces over the past three months and had therefore, to use the facilities and machine tools

that were ready at hand for actual productive work. I have done all that I can, in co-operation with the Production Departments and the Engineering Employers' Federation to induce employers to undertake the maximum amount of training of men both at the higher and lower levels of skill and also the introduction and training of women. I have called in the experts to advise me as to how far and to what extent skilled men can be released even in the manufacture of machine tools. I have caused the labour supply committees, the inspectors of labour supply and the factory inspectors to stimulate employers in every possible way to undertake training. If training is undertaken in the workshop it does mean that for a short period there may be a small sacrifice of immediate production. This temporary sacrifice must be faced but will be made good in very quick time. The Government are satisfied that the war is not going to end in the immediate future and it is therefore of vital importance to initiate now the necessary steps that not only make good the temporary loss but will so greatly accelerate production a little later.

I am afraid that some employers are to some extent living in a fools' paradise in the matter of skilled labour. They must realise that the scarcity of various classes of skilled labour as had already been revealed will in the absence of extensive provision of training, be greatly accentuated by other factors. For example, large numbers of skilled men have been released from the Forces for return to the engineering factories. In the recent month it reached the figure of over 3,000. But the release is only provisional and with the growing needs of an expanding mechanical army many of these men may have to go back at a later date. Further it must not be assumed that the present rules in regard to reservation of certain occupations at certain ages can stand for the duration of the war. Here again there is an increasing demand for men for the Forces both as tradesmen and for general service and it is by no means certain that the present balance as between industry and the Forces can remain undisturbed. The training in the factory having regard to these factors must make provision for the training of (a) highly skilled people, (b) those who with little training, can be turned into effective productive units and (c) women and under these three headings it must work in association with a continuous process of up-grading. The lesser skilled men and the women cannot be absorbed unless this up-grading and training process is accelerated. Therefore with the up-grading the employers create the vacancies and the necessary action can then be initiated through the Employment Exchange machinery to make the lesser skilled and women available by means of transfer from other industries. There is no excuse for delay. Employers have already been informed that the

additional cost of training will be met by the Government. Training is much more effective, both for the works and for those being trained, if it is carried out voluntarily and with good will. I am therefore reluctant to make training obligatory on all employers, but conditions may arise when this would have to be done. Employers should not wait for orders and regulations but should co-operate immediately in the solution of this problem.

The next form of training I desire to explain is the Government training centres. While these centres can contribute, they cannot take the place of training in the factory itself. These training centres operated by my Department were originally established for a special purpose in connection with unemployment and only accepted men from the depressed areas. When the rearmament drive began the area of recruitment was extended to the whole country, and in the early months of the war my predecessor decided that the centres should be converted entirely from a social service to an essential part of the Government war machine. The capacity of the centres was extended and the technique of rapid training of new entrants to industry was introduced, so that they became highly semi-skilled workers within four months. People with special aptitudes are passed out in less than that time. I decided to take this a stage further by removing the condition that a trainee must be unemployed, and threw the training open to any person. We are drawing the trainees from almost every trade and calling and irrespective of age. We have also rearranged allowances with a view to removing hardship while men are going through the training period. The number of centres has now been increased to 19 training centres and their capacity greatly expanded. I have set myself as a goal a total of 40 centres, and additional sets of premises have been secured and are being adapted. Whether it will be possible to attain this goal depends on a number of factors which are not within my control. They are instructors, managerial staff, and, what is most important, machine tools and other equipment. I regard this as so vital that I have asked that the training centres should be placed in the highest category of priority in order to get them equipped. But this claim has to be balanced against the claims of immediate production. We have aimed to put the present centres on a full treble shift. As soon as the instructors and necessary staff are obtained the annual rate of output from the present centres should be in excess of 100,000 trainees a year. If the goal of 40 centres is achieved, we should be able to double this.

In the obtaining of instructors I desire to pay my tribute to the Amalgamated Engineering Union, and I have also secured a promise of help from the Engineering Employers' Federation. Every engineering employer should earnestly consider whether he cannot



release one or two suitable men to become instructors in the training centres. I have increased the scale of pay and instructors liable to night work will now receive a minimum of £350 a year. I am also in need of persons of managerial capacity who must be men with good technical qualifications and a substantial period of industrial experience.

The next factor in training is that I have in association with my right hon. Friends the President of the Board of Education and the Secretary of State for Scotland initiated a scheme of short courses of training through the technical colleges and a number of classes are in operation. Many more should begin shortly. I am anxious that the technical colleges should produce at a rate of not less than 50,000 per year. I am also setting up training arrangements in garages, maintenance shops and other shops which have unused capacity and I am trying in these ways to add substantial additions to the ranks of the trained workers for the war production campaign.

In this total war a combination of all these factors is essential if our needs are to be supplied. If the employers concerned are seized with the importance of training equally with my Department, I am satisfied that with the aid of our Dominions and the United States of America and with the fullest use of our man power and the resources at our command we can overtake any disparity that may now favour the enemy. It is therefore worth while making a supreme effort in this field.

**CAPTAIN BELLENGER:** The right hon. Gentleman referred to German methods in this connection. Although I am not suggesting that German methods are ours, may I ask him whether he is not of the opinion that at this stage of the war these appeals are somewhat dilatory and will he use the powers which he has or if he has no powers will he seek powers to enforce on industry the appeal which he has now made to them on a voluntary basis?

**MR. BEVIN:** Parliament gave me the power that was necessary but it is a little difficult to apply methods of compulsion in every factory alike. When you try to do it purely by regulation it does not always work out right. I am satisfied that with this appeal to-day and with the response which is already forthcoming the number of trainees will be doubled very shortly.

### (f) *General Economic Policy*

*Finally on the 7th of August Mr Greenwood's statement on economic policy left members feeling that co-ordination had at last come.*

**THE MINISTER WITHOUT PORTFOLIO (MR. ARTHUR GREENWOOD):** The enemy's economic system has been for

some years on a war footing—a mighty engine, turning out planes, tanks guns and all the paraphernalia of war on a gigantic scale. In spite of heavy losses he still possesses great strength. We on our side and I think this is agreed now in all quarters of the House were not fully mobilised for war when it was forced upon us. It is no simple thing except perhaps in a totalitarian State to switch over from peace production to war work and we were at a disadvantage in that it is only after nearly a year of war that we are capable of becoming as efficient for war purposes as the dictators. We are still in process of changing over from a peace to a war economy. We have got now to make the best of our resources.

To achieve the maximum of effort we must plan our economic strategy with a view to the best co-ordination and co-operation of all the agencies concerned and I would like to give the House an example showing how many sides of Government activity are touched by a single war problem. To day the Government are the main importers of goods from overseas. We have to ask whether shipping supplies are available and that is a matter for the Ministry of Shipping. We have to ask whether foreign exchange is available and that is a matter for the Treasury. We have to ask whether our supply of foreign exchange can be maintained. That is a matter which may eventually depend on the amount we can export which is the business of the Board of Trade. Moreover, the amount we can export depends partly on the amount of labour which we can spare from other purposes for the manufacture of exports.

Even then, the survey is not complete. We have also to take into account the possible effect of our purchases which we are bringing into this country upon the economic life of the exporting country. We have to ask whether by buying a little dearer somewhere else we could make things a little more difficult for the enemy and whether there are other political reasons why purchase in one country is more desirable than purchase in another. These are matters in which we must look to the Foreign Office and the Ministry of Economic Warfare for advice. To take account of all these considerations and see that they are properly weighed one against the other, needs central organisation on the part of the State. We need an organisation whose business it is also to look ahead to see how things are likely to develop in the future, an organisation which makes provision not merely against day-to-day contingencies as they continually arise, but against remoter problems which may develop as the war continues and as this new situation unfolds.

The Lord Privy Seal informed the House on 4th June of the new arrangements we had made for the consideration of particular

economic problems and for the co-ordination of our economic effort. Each of the main groups of problems—the wider and more general economic problem, the production problem, the food question—is dealt with by a special committee, composed of members of the War Cabinet and the Ministers in charge of the Departments concerned. But we have introduced new and important changes in the previous organisation of the State. First, the Government appointed a small Committee consisting of the Lord President of the Council, the chairman of the economic committees, the Lord Privy Seal, the Chancellor of the Exchequer and myself. This Committee is expressly charged with the duty of concerting and directing the work of all Ministerial Committees dealing with economic problems.

This small central Committee represents, I think, a new experiment in the war-time system of government. It is in a position to survey the field as a whole . . . measuring the progress made in various directions, taking account of the difficulties which have arisen or which we can see arising, and also having regard to our future needs. It is free to take up any economic problem where, in its judgment, there is particular need for the co-ordination of the activities of a number of Departments concerned in that problem. Secondly, there is the Economic Policy Committee, over which I preside and which concerns itself with the broader problem of economic war policy. . . . The Economic Policy Committee consists of members from all those Departments which are directly and in some cases indirectly, interested in economic problems. . . .

Since the end of May the Committee has had to face the changed military situation and the need for the intensification of our war effort. It was that Committee which decided on the limitation of sales in the home market, both of unessential consumption goods and of machinery, with the object of releasing productive capacity for munitions work and for the export trade. It was that Committee which laid down the principles which should govern the maintenance of our export trade in those cases where there might be some clash with the needs of the munitions industry. More important, perhaps, the Committee has reviewed and revised our import programme for the next 12 months, having regard to these three considerations: the increased claims on our importing capacity which an intensification of arms output inevitably implies, the need for building up greater reserves of essential imports against the unknown, but perhaps substantial, effect of intensified air attack on this country, and, thirdly, the closing to us of certain sources of supply in countries now occupied by the enemy. It has had to weigh the rival claims of our food import programmes with those of our raw material import programmes, and it is now con-

sidering the possible repercussion on the level of prices and on the cost of living of a diminished supply of goods for the home market at a time when incomes are being increased by the intensification of production

But then as the war wore on we were faced with another problem of far reaching importance and the Economic Policy Committee on the suggestion of the Minister of Economic Warfare set up a sub-committee of which I am chairman to study the problem of surpluses of production of all kinds created by the enlargement of the physical area of the economic blockade owing to German successes in the West of Europe and the entry of Italy into the war. To the producers overseas whether in the British or Allied Empires or elsewhere this closing of markets to them presented a very serious problem. If we cannot evolve a policy for dealing with their surpluses those people may try by back-door methods such as are open to them to bring those goods still to the assistance of Germany and German territory. It is perfectly clear that one very important factor in the effectiveness of our economic war effort is to deal with this very serious problem of surplus overseas commodities in such a way as that they may be an advantage to us and of definite disadvantage to the enemy.

The Production Council deals with the whole range of production problems many of which are dealt with in the first instance by three inter-departmental committees to which I will refer in a moment. Outside these labour questions necessarily loom important on the Production Council. The initiative in these labour problems rests with the Minister of Labour but the Production Council provides the opportunity for him to secure the co-operation of the Supply Departments. It is among the functions of the Minister of Labour to secure the most effective distribution of skilled labour and the training of additional workers to perform skilled or semi skilled services and the question obviously is one which can only be satisfactorily settled when the needs of the various production Departments are known and when there is agreement as to the way in which this problem is to be tackled.

The Production Council has attached to it three inter departmental committees. One deals with priorities. It will I think be agreed in all quarters of the House that it must be for the War Cabinet to take the fundamental decisions as to our defence needs. That in a sense determines the major priorities and it must consequently decide in broad principle to what extent these major war requirements must have prior claims over the requirements of the home and foreign trade. It is the duty of my Production Council to implement those major decisions. During the past weeks defence requirements have stood paramount over all others. We had

to give immediately clear priority to those essential weapons of war which would provide the maximum resistance to the enemy in the shortest space of time. There can be no doubt that this policy of rushing things through in the last three months—a policy which perhaps is not to be regarded as scientific—has resulted in a very substantial increase in vital supplies and the diversion of production into more important channels. The Production Council realises however with the vastly increased war programme with the need for keeping in our minds the possibility of a long war and with the reorganisation of the area boards to which I will refer, that these matters call for a re-examination of the priority system.

There is a second committee in the Works and Buildings Priority Committee. During recent weeks the activities of this Committee have very substantially increased. At first it mainly dealt with problems concerning the demand for and the supply of building materials and labour but the Production Council laid it down very clearly that all Government building contracts must be submitted for approval before they are let and the whole of the Government's building programme should be reviewed in order that work might be concentrated on those jobs which could make a contribution to our war effort within the next few months. It became clear to us also that certain private enterprise building was interfering with the war effort and the Production Council therefore decided to establish a licensing system for all private buildings and regulations regarding the establishment of this licensing system will be brought into operation very shortly. In recent weeks that Committee has had a new and complicating factor to face because of the vastly increased demand for materials for the War Office Emergency Defence Forces while the extension of the Government's building programme and the demand for air raid shelters created a new problem because of the reduction of brick stocks. Now as a result of the work of this Committee steps are being taken to ensure that brickmakers can increase their production at once through the release of the necessary labour from the Armed Forces and steps are being taken to ensure the utmost economy in the use of materials in defence works.

A more recently established inter-departmental committee is that dealing with area Boards and industrial capacity. This committee is dealing with what I have always regarded as a vital problem that of matching industrial capacity with our war requirements. I have always held that we must decentralise the search for plant, machinery and buildings to the areas where there could be people who knew. The area Boards originally established were not in the view of the present Government as active and as they might have been. It was clear that insufficient use

was being made of what was vital, of the local knowledge of industrialists and trade unionists in the various areas. It was decided, therefore, to set up this Industrial Capacity Committee to deal with the problem of marrying capacity to supply needs, the pooling of machine tools, and the utilisation for war ends of declining trade.

The previous Boards, as the House will remember, consisted entirely of officials. The reconstituted Boards consist each of 11 members, five being officials, representing the Departments concerned with production, and six being representatives of industry. The 11 members form a joint committee, at least three of whom are trade unionists. That brings to bear local knowledge and experience which hitherto had not been mobilised behind the search for capacity in this country, in order to promote the development of our war production. The Boards will now assist the main contractors who are looking for sub-contractors, using their special knowledge of the industrial capacity of the areas; they will warn the Ministers concerned—this is a point of some importance—against overburdening the true capacity of any firm or plant by giving firms orders which they cannot fulfil in a reasonable time, and they will seek out latent capacity in other areas.

MR STOKES: Will the right hon. Gentleman tell us when these area boards meet? Is it not the case that they have never met?

MR GREENWOOD: I am in some doubt whether that is correct. It may be so in the hon. Member's own area, but if he will put a question to the chairman of the committee, it will be answered. The machine tool problem has been one of great concern. We have in recent weeks taken a census of our machine tools, and the area boards are now undertaking an inspection of all those tools with a view to getting them into appropriate use. They are now organising what plants are ready for them to organise in their areas in order to deal rapidly with the situation which might arise out of the destruction of factories by air raids. Finally, the area boards will be called upon in the unfortunate event of a breakdown of communications to act as the body in charge of war production in their areas, working immediately under the regional commissioners and the regional defence organisations.

Now I come to a very short review of the main principles of the policy that we are pursuing. Parliament in the early days of this Administration gave the Government wide and far-reaching powers over lives and property in this country, and they will not shrink from using those powers as circumstances require. A vast number of factories and other industrial establishments have already come under direct State control. Land badly cultivated has been taken out of the hands of farmers, labour has been called upon for great

sacrifices and the whole economic system of the country with its many ramifications is being adapted to the fulfilment of the nation's needs and nothing will be allowed to stand in the way of our achievement of the war purpose. Our object now is one not easy to achieve. Our object is a Britain completely mobilised economically in the public service devoted to national needs and regardless of selfish interests.

How have we been trying to carry out our policy? Let me take the question of consumption first. It is necessary if the war is to be conducted efficiently and properly, that the consumption of the people shall be safeguarded and that every endeavour shall be made to avoid unnecessary hardship. We all know that since the outbreak of war there has been a rise in retail prices. That was inevitable because of factors quite outside our control such as the curtailment of supplies from overseas, increased difficulties and risks of transport, fall in the value of sterling abroad and so on. But an effort has been made to reduce the burden which would otherwise have been considerably greater and it is interesting that although the cost of living has risen the cost of living has risen less than prices in general. It is our object that the prices of the necessities of the people shall as far as possible be kept down and we are spending as the House knows very considerable sums of money in order to do this and those efforts to anchor down the prices of essential commodities will be continued. It is the policy of the Government by the maintenance of supplies and if necessary by rationing to restrict the movements of prices to a minimum. It is our purpose too to make special provision for those members of the community who are most hit by the rise in prices of essential commodities and as the House knows to give one very important example we have recently set up a scheme whereby free and cheap milk is available for mothers and children in poorer districts. Community feeding is being extended as widely as possible at canteens for industrial workers and we feel that in these ways whatever restrictions may become necessary in the future we shall ensure and maintain unimpaired the health of the nation.

While we have tried and so far with success to ensure the adequate supply of the necessities of life at the same time we have deliberately taken steps to secure that non-essential consumption is restricted. Resources which were available for maintaining and increasing the war output ought not to be diverted to unnecessary consumption. There are two ways in which we may restrict unnecessary consumption. On the one hand we can do it by financial measures by increasing taxation and encouraging savings and on the other hand we can do it by direct limitation of consumption and prohibition of unnecessary imports. Both these methods

have their uses, and both of them, as the House knows, are being employed. The President of the Board of Trade has taken steps by Orders restricting consumption so as to release labour and productive resources for the making of munitions and for export. . . The recent Budget has relieved us of some of our non-essential purchasing power—I gather, in the view of the House, not sufficient—and the Chancellor of the Exchequer has made it clear in the most cheerful terms that those who can be further impoverished will be further impoverished in the future.

The general strategic position now has made the import problem a good deal more complex. There are two limiting factors which govern the policy of imports. On the one hand, the capacity of the ships and the ports and on the other hand, the supplies of foreign exchange and foreign assets. As regards our foreign resources, it is clear that we need to proceed with a little care. I am myself not for hoarding them like a miser, but, after all, our supply of foreign assets is not unlimited. We have taken steps to increase exports, and we shall do everything we can properly do in this direction, but, in present circumstances, it is clear that the possibilities of increased exports from this country are not too glowing.

It is true that at the moment our shipping position is not too bad. Port capacity has not been very seriously impaired, but we are bound to recognise that our ports and our shipping are bound to be among the main objects of the attack of the enemy. It follows, therefore, that, in the short run while the position is good for us, it is prudent for the country to import as much as we can of those foodstuffs and materials as can readily be stored, not in order to increase consumption, but in order to build up stocks against the day when our capacity to import may not be as great. Our policy, therefore, has a double aspect. In the short run, we are trying to increase our stocks, and very considerable progress has been made in this direction. Looking ahead however it may be necessary to reduce the rate of intake of things into this country. I hope that when people reflect on the limitations with which they have to put up and the further limitations which may come to them before very long as the result of this policy, they will remember that these limitations have been imposed on our imports in order that we may conserve the wherewithal to buy aeroplanes and tanks with which to defend our homes.

Let me just briefly turn to the problem of production. No one in the House will expect me to give exact details of the great increases in military production which have taken place in recent weeks, but I can assure the House that very great strides have been made in speeding up the production of aircraft. Only a few weeks



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